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|---|---|---|---|---|---|
| Austria | Sch22 | Indonesia | Rp3300 | Portugal | Esc100 |
| Bahrain | Din0.650 | Israel | NIS3.50 | S.Arabia | Rls6.00 |
| Belgium | BFr48 | Italy | L1600 | Singapore | S$4.10 |
| Canada | C$1.00 | Japan | Y600 | Spain | Pta125 |
| Cyprus | C£0.75 | Jordan | Fils500 | Sri Lanka | Rup30 |
| Denmark | DKr9.00 | Kuwait | Fils500 | Sweden | SKr8.00 |
| Egypt | E£2.25 | Lebanon | $L125.00 | Switzerland | SFr2.20 |
| Finland | Fmk7.00 | Luxembourg | LFr48 | Taiwan | NT$85 |
| France | FFr6.50 | Malaysia | Rin4.25 | Thailand | Bht50 |
| Germany | DM2.20 | Mexico | Pes300 | Tunisia | Din0.800 |
| Greece | Dr100 | Morocco | Dh6.00 | Turkey | L500 |
| Hong Kong | HK$12 | Netherlands | Fl3.00 | UAE | Dh6.50 |
| India | Rup15 | Norway | Nkr8.00 | USA | $1.00 |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

ø No. 30,360 — Monday October 12 1987 — D 8523 A


South Africa and the impact of sanctions, Page 3

World News | Business Summary

## Burmese air crash claims 49 victims

All 49 people aboard were killed when a Burma Airways Fokker Friendship F27 twin-turboprop caught fire and crashed. Thirty-six were foreigners.

The fully-laden aircraft had been taking tourists from Rangoon to the ancient capital, Pagan.

### Brazilians charged

Three directors of a Brazilian radiotheraphy institute were indicted by police after the radiation leakage that has contaminated at least 59 residents of the central Brazilian state of Goias.

### Karachi bomb blast

A bomb wounded five policemen searching for illegal arms after communal gunbattles in Karachi, Pakistan's second city.

### Punjab killings

Sikh extremists had killed the wife and daughter of a retired army captain at their home in Punjab, the Press Trust of India reported.

### Korean voters' choice

Voters in December's presidential election in South Korea were expected to have the choice of four candidates following the declaration of the Reunification Democratic Party's Kim Young Sam. Page 3

### Turkey tests its F-16

The first US-designed F-16 jet fighter co-produced in Turkey made a successful test flight from an air base near Ankara.

### Mitterrand leaves Peru

French President Francois Mitterrand left Lima at the end of a tour that also took him to Argentina and Uruguay.

### Afghan protest

The Afghan Government protested to Britain over an incident in which Britain's charge d'affaires and a BBC Television crew were temporarily detained by Soviet troops while filming on a golf course near Kabul.

### Kurds kill 13

Kurdish separatists had killed 13 people in a raid on a village in south-east Turkey, Turkish state radio said.

### Gaza protest

Egypt protested to Israel over the reported wounding of at least 15 Palestinians in disturbances in the Gaza Strip.

### Honecker for Belgium

East German leader Erich Honecker was to begin a three-day state visit to Belgium tomorrow, his third trip to Western Europe this year.

### UK space standstill

Britain will not be increasing its commitment to West European space programmes, Mr Kenneth Clark, the UK Industry Minister with responsibility for space research, said last night.

### Soviet farm rethink

The Communist Party of the Soviet Union would hold a special top-level meeting early next year to discuss important reforms of agriculture policy, party agriculture secretary Viktor Nikonov said.

### Salvador homecoming

The first of an expected 4,500 refugees began to return to El Salvador from Honduras, the biggest such repatriation in eight years of civil war. Exile's return, page 2

### Venezuelan primary

Members of the ruling Democratic Action party voted in a national primary to pick a candidate for next year's Venezuelan presidential elections.

### Karpov draws white

Anatoly Karpov drew the white pieces for today's first game in his challenge for the world chess title against champion Garry Kasparov in Seville, Spain.

## Sale of Wood Mackenzie likely soon

**WOOD MACKENZIE**, UK securities firm, is likely to be sold for between £50m and £60m ($82m-$98m) in the next two weeks, possibly to a US buyer. Page 38

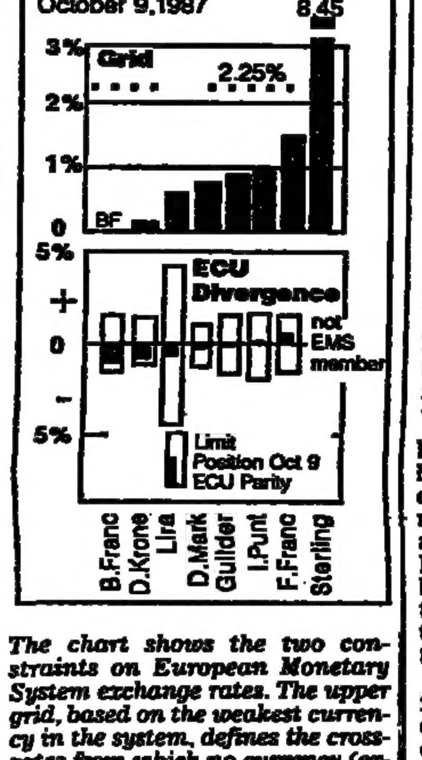
**SALOMON BROTHERS**, large Wall Street firm, will today announce first findings of a radical business review that could lead to sharp cuts in its operations. Page 28

**EUROPEAN Monetary System**: Attention focused on the steady rise in interest rates within the EMS last week.

The West German Bundesbank increased the rate at which it offers sale and repurchase facilities to the money market to help control money supply growth. At the same time it helped to underpin the D-Mark against the French franc.

Later in the week a softer dollar also boosted the D-Mark. The dollar's weaker tone came in spite of a steady rise in US interest rates.

Elsewhere the market showed no reaction to comments by UK Chancellor of the Exchequer Nigel Lawson, concerning the possibility of sterling's joining the system.




*The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.*

**PLESSEY**, UK electronics group, is expected to sign a contract worth about £10m ($16m) today for the same of System X, the digital telephone exchange. Page 4

**FINANCIAL TIMES** has been offered a stake in a venture to create Canada's first financial and business daily newspaper, by Toronto Sun Publishing. Page 38

**UK BALANCE of payments** may be understated by £2bn ($3.3bn) a year, because of an underestimate of net invisible earnings, argues stockbroker Phillips & Drew. Page 8

**FORD MOTOR** is to pay $512m to acquire United States Leasing International (USL), a San Francisco-based company which leases equipment and vehicle fleets. Page 28

**IRVING BANK** has sharply rebuffed the $1.4bn takeover approach launched last month by Bank of New York and adopted a "poison pill" defence against the $80 a share offer. Page 28

**FORMER BRITISH** civil servant, Mr Dennis Ford, admitted last night on BBC television that he went to a midnight meeting at the Guinness headquarters after the company heard that its bid for Distillers in 1986 was to be referred to the Monopolies and Mergers Commission.

**BURLINGTON NORTHERN** of the US lifted net profit in the third quarter by 26.6 per cent to $127m ($1.70 a share), compared with $100.3m ($1.25) a year earlier, on revenues of $1.68bn, compared with $1.69bn in the third quarter of last year.

# India kills 60 Tamil extremists as all-out offensive is launched

BY JOHN ELLIOTT IN NEW DELHI

INDIA last night claimed it had killed 60 Tamil Tiger extremists in the north and east of Sri Lanka during an all-out offensive which was launched late on Saturday.

The offensive began after six of its army and paramilitary personnel were killed by members of the Tigers' guerrilla group on the northern Jaffna peninsula.

These were the first Indian deaths in a direct confrontation with the extremists, and were followed by three more yesterday.

The Indian Government immediately responded with an instruction to its army commanders that the Tigers were to be attacked with all possible force. Troops were told to shoot on sight anyone breaking the indefinite curfew imposed in parts of the Jaffna peninsula.

The offensive marked a major escalation of India's military activities in Sri Lanka.

These started amicably at the end of July as a peacekeeping operation between the Tamil extremists and Sri Lankan forces to help implement an Indo-Sri Lankan accord on the minority Tamils' ethnic claims.

The total number of Indian military and paramilitary forces on the island has been increased during the past few days to more than 15,000 and could be as high as 20,000.

This is two to three times more than the 6,000 to 9,000 total originally envisaged when India and Sri Lanka signed the peace deal.

The involvement of an increasing number of Indian troops is beginning to cause concern in India.

There has been some criticism from oppposition politicians of the July peace accord, which is being marked up as one of a series of political failures by Mr Rajiv Gandhi, the country's beleagured Prime Minister. But there are as yet no calls for the peacekeeping force to be withdrawn.

Indian government spokesmen last night said that 120 extremists had been killed and 362 arrested over the past three days in the north and east of the island.

The Tigers' liaison offices in the southern Indian city of Madras were also raided yesterday and communications equipment seized.

A police spokesman said that raids on the headquarters of the Liberation Tigers of Tamil Eelam (LTTE) in a Madras suburb and on two of its bases on the south-east coast were to seek the Tigers' leader, Vellupillai Prabhakaran, who is commanding the Tigers' resistance in Sri Lanka. Police said they believed he had left Sri Lanka and taken refuge somewhere in Tamil Nadu state.

The seizure of the Tigers' communications equipment will be a blow to the Tigers, whose political leadership in India will now be largely cut off from its remaining fighters in Sri Lanka.

Three battles were reported yesterday between the Indian troops and Tiger guerrillas on the Jaffna peninsula. Jaffna city was put under indefinite curfew.

A patrol vehicle of the Indian peacekeeping force was blown up for the first time by the Tigers with a remote-controlled land mine, wounding three soldiers, according to spokesmen, and there were also skirmishes in the eastern province.

Earlier the security forces had closed down propaganda newspapers and television stations being run illegally in Jaffna by the Tigers.

India's army has suffered only one defeat - in a 1962 war with China - during the country's 40 years of independence.

Top commanders are now worried that the army's reputation and morale could be seriously hit if it does not prove itself superior to the inexperienced Sri Lankan troops it has replaced and thus becomes involved in a possibly long guerrilla war.

Originally India had hoped that the troops would return home by the turn of the year, but this now looks virtually impossible.

General Krishnaswami Sundarji, India's army chief of staff, visited the island last Thursday to boost morale, and Mr K.C.Pant, Defence Minister, went to Colombo to assure President Junius Jayawardene of India's commitment as more than 150 members of Sri Lanka's majority Sinhalese community were massacred by the Tamil extremists.

The visits marked an assertion of authority by India's Defence Ministry

# Bonn confirms 10% withholding tax on savings, investments

BY HAIG SIMONIAN IN FRANKFURT, DAVID MARSH IN BONN AND TIM DICKSON IN BRUSSELS

WEST GERMANY'S Finance Ministry yesterday confirmed that a new 10 per cent withholding tax would be imposed on savings and investments from 1989.

The news is bound to have a marked effect on German financial markets, which on Friday experienced one of the most turbulent days in their history. The Commerzbank equity index fell 43 points and government bonds lost 1.20-1.30 before banks suspended trading in mid-afternoon.

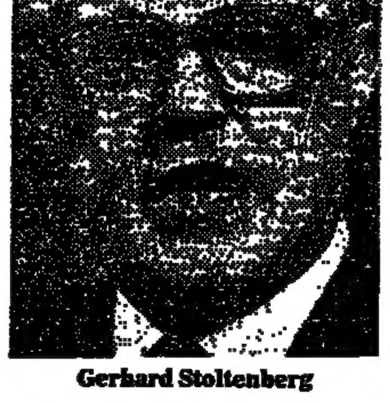
Dealers in Frankfurt are now waiting nervously to see how the markets will react to the confirmation of the tax, which is part of a major package of reforms aimed at raising slightly over DM17bn ($9.4bn) of the DM19bn needed to finance a DM39bn tax reform planned for 1990.

Foreign investors will probably be decisive. Foreign buyers have driven up both the German equity and government bond markets for the past two years, and on Friday bankers in Frankfurt were being deluged by calls from investors and their own colleagues abroad trying to find out more about the rumoured tax change.

It is now clear that D-Mark eurobond issues will not be affected - or equities - because dividends are already taxed at 25 per cent at source. One result of the tax may be that borrowers switch from domestic to D-Mark eurobonds if domestic interest rates rise as expected.

A Finance Ministry official said yesterday that he hoped the markets would calm down today after Friday's turmoil. He said he did not believe the news would trigger a capital flight.

However, it is hard to see investors reacting otherwise. Wealthy Germans will be tempted to shift their taxable assets to neighbouring financial centres such as Luxembourg or Switzerland. Although foreigners may be able to claim back the tax deducted, many will probably be put off by the inconvience or hint of disclosure, and may look to invest elsewhere.



Gerhard Stoltenberg

Imposing the tax also marks a heavy blow to Frankfurt's ambitions as a top international financial centre alongside London, Tokyo and New York. Moreover the news comes at a particularly bad time for the equity and especially the bond markets, which have been very sluggish recently.

At the weekend, German and foreign bankers were universal in their condemnation of the tax which they saw as both ill-considered and badly executed. Many also thought it would be counter-productive by forcing up interest rates and encouraging capital to go abroad.

"They are either very ignorant or very arrogant," said one senior bank executive about the Government's plans.

Apart from the withholding tax, coalition leaders agreed to raise DM4.5bn by reducing or abolishing a variety of company tax breaks. A further DM3.5bn will be raised by modifying a wide range of employee tax subsides, while some DM6bn will come from changes to regional policy and allowances.

The package leaves a shortfall of DM1bn-DM1.5bn. Further discussions will take place between the federal Government and representatives of Germany's states on how this can be found.

The Finance Ministry is particuarly pleased that it has identified savings without increasing value added tax (VAT) or consumer taxes on petrol and tobacco. The opposition SPD had regularly taunted that such increases would be necessary.

However, Mr Gerhard Stoltenberg, the federal Finance Minister, has left himself the option of raising further revenue. Bonn is facing increased contributions to the European Community and falling tax receipts on account of the sluggish economy. By not touching consumer taxes now, Mr Stoltenberg has kept his powder dry for further possible tax increases in 1990 if necessary.

West Germany's decision to introduce a withholding tax is not thought likely to threaten the European Community's plans for a barrier-free internal market by 1992. But it could prompt the European Commission to refine some of its ideas on the liberalisation of capital movements.

**Finanzplatz Deutschland, Page 26; Bonn reassures investors, Page 27**

# W German politician found dead in hotel

By David Marsh in Bonn

WEST GERMANY'S political crisis over alleged "dirty tricks" in the northern state of Schleswig Holstein deepened yesterday, as Mr Uwe Barschel, 43, the state's former prime minister, was found dead in a Geneva hotel. The death occurred on theeve of his expected appearance today before a parliamentary inquiry in Kiel, the state capital.

He was thought to have committed suicide, although Geneva police were last night examining the circumstances of the death and said they could not rule out either suicide or murder.

His death - he was ranked as one of the most ambitious highfliers in Chancellor Helmut Kohl's Christian Democratic Union (CDU) - brought a dramatic twist to a political scandal unprecedented in the 38-year history of the federal republic.

The affair seems likely to add to strains in Mr Kohl's Bonn coalition Government, which has already been divided in recent months over economic and security policies. It will also further reduce the public's already-diminishing confidence in the ethical standards of the nation's politicians.

The scandal also adds to uncertainties over the political future of Mr Gerhard Stoltenberg, the Bonn Finance Minister, the CDU's party leader in Schleswig Holstein. Two weeks ago he was forced to return early from the IMF annual meeting in Washington to help resolve the crisis, and could still be called to step in again as state prime minister to rally confidence.

News of the apparent suicide came as the climax to four weeks of mounting revelations about a campaign in Schleswig

**Continued on Page 26**

# Kaunda calls for Fiji restraint by Commonwealth

BY MICHAEL HOLMAN AND ROBIN PAULEY IN LONDON

COMMONWEALTH leaders began arriving in Vancouver yesterday for a summit starting tomorrow which is likely to be dominated by the crisis in Fiji, demands for tougher measures against South Africa and growing concern over renewed violence in Sri Lanka.

Calls for sanctions against the South Pacific archipelago nation, which have been led by India, Australia and New Zealand, received a cool response last night from a senior Commonwealth leader, President Kenneth Kaunda of Zambia.

In an interview with the BBC he called for restraint in dealing with Fiji, pointing out that the Commonwealth had not imposed sanctions against other member states where there have been coups. The Commonwealth should intervene only "in an advisory capacity", he said, a view which suggests that it may be difficult for the 49-member organisation to reach unanimous agreement on how to tackle the crisis.

The declaration of a republic, a move preceded by the second of two coups led by Colonel Sitiveni Rabuka, poses serious problems for the Commonwealth. He has defied the Queen, who is present in Vancouver, and who continues to regard Ratu Sir Penaia Ganilau, her governor-general, as the legitimate source of executive power.

His action means that Fiji is no longer a member of the Commonwealth, although it is expected to apply for readmittance. As Col Rabuka's aim is to ensure political supremacy for the indigenous Melanesian population, even though citizens of an Indian background are in a slight majority, India is certain to veto Fiji's application.

Commonwealth leaders may be asked to consider some form of sanctions to try to force a restoration of democracy. New Zealand has already cancelled military and financial aid, Australia has suspended aid, and Britain is considering similar measures. Mr Rajiv Gandhi, Prime Minister of India, announced at the weekend that he is suspending all trade and technical co-operation with Fiji.

The only country to recognise Col Rabuka's administration is Tonga, the South Pacific's only kingdom.

There will also be strong Commonwealth pressure for tougher sanctions against South Africa. Mrs Margaret Thatcher, the British Prime Minister, seems certain to resist new measures. Speaking shortly before leaving for Vancouver, Sir Shridath Ramphal, the Commonwealth secretary-general, said most members "will reject the view that economic sanctions have been ineffectual" but appeared to concede that new measures were unlikely.

Commonwealth leaders, he said, "can at least for the present agree to disagree as they reach for common ground in other areas of action towards shared objectives in southern Africa."

Also expected to be on the agenda is the continuing conflict in Sri Lanka, where at least 15,000 Indian peacekeeping troops are stationed. President Junius Jayawardene of Sri Lanka has cancelled plans to attend the Vancouver meeting because of the escalating violence by Tamil guerrillas on the island. He and Mr Gandhi were to have had two lunchtime meetings.

**Editorial comment, Page 24; S Africa on agenda, Page 3**

# Iran says it may use US-made Stinger missiles in Gulf

BY LIONEL BARBER IN WASHINGTON

IRAN'S AMBASSADOR to the UN yesterday claimed that Iran had acquired US-made Stinger anti-aircraft missiles and was prepared to use them against American forces in the Gulf.

Mr Said Rajaie Khorassani, repeating earlier threats of retaliation against the US, said the American naval presence in the Gulf was hostile in intent. "We have to use all the means we have to defend ourselves," he said in an interview on American television.

Gen Vernon Walters, US ambassador to the UN, said on the same programme that he was "not particularly disturbed" by the threat to use the sophisticated anti-aircraft missiles. "If they had them, they would have used them already against Iraq."

Reports that Iran had bought Stingers from a US-backed Islamic Afghan rebel faction appeared in the British press last month. They said that Tehran was believed to have purchased about 20 Stingers for $1m from Afghan guerrillas, who received them covertly from the CIA.

Last Friday, Mr Caspar Weinberger, US Defence Secretary, said that Stinger parts were found aboard Iranian patrol boats destroyed by US helicopter gunships firing in self defence.

The Stinger, a hand-held weapon with a range of five miles, is used to shoot down helicopters and small aircraft. Afghan rebels have claimed a high striking rate against Soviet helicopters.

The sales have drawn protests from some US legislators who are alarmed that the weapons could fall into enemy hands.

President Reagan, deflecting criticism that he has cut the Congress out of his Gulf policy, sent letters to congressional leaders over the weekend explaining last week's military strike against the Iranian patrol vessels.

He refused to invoke the 1973 War Powers Resolution which would start a process under which US forces would be withdrawn within 90 days unless Congress approved their deployment.

● Attacks continued in the Gulf yesterday, with Iraqi claims that an Iranian long-range missile was fired into Baghdad early yesterday, striking a residential district and killing a number of civilians. Iran said the missile hit an important military garrison.

Two more Iraqi air raids against "large maritime targets," meaning tankers, along the Iranian coast brought the total of raids to three in the last 24 hours. Gulf-based shipping sources confirmed the attacks.

They said one of the tankers hit was the Panamanian-registered 239,435-ton Rova, one of about two dozen that Iran has under charter to ferry oil from the Kharg Island oil terminal in the north to a makeshift loading center at Larak Island in the mouth of the Strait of Hormuz.

The US Central Command's Joint Task Force, based in Tampa, Florida, said yesterday that four US-flagged Kuwaiti tankers escorted by three US frigates were steaming safely into the southern Gulf.

The convoy, the eleventh since the carriers were re-registered under the US flag in July, started its 550-mile journey to Kuwait from the Gulf of Oman on Saturday morning.

**US oil threat, Page 3**



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## OVERSEAS NEWS

Setbacks in industry and agriculture pose a challenge to Tirana's economic self-reliance

# Albania's go-it-alone policy threatened

SETBACKS in agriculture and industry pose a challenge to a strict policy of economic self-reliance in hard-line communist Albania, Reuter reports from Tirana.

Mr Ramiz Alia, Albania's leader, says there are problems with production of chrome, an important export earner, and low world prices have squeezed income from modest oil resources.

Economists say a drought has hit both agriculture and output from hydro-electric power plants. Industry and exports have been damaged by energy shortages. Much equipment is out of date.

"We have reached a historical moment when we have to change the structure of our economy from a technical point of view," Mr Gramos Pashko, an economist at Tirana University, said. But he added: "We don't want to rely on foreign states. We lost too much from foreign influences and invasions."

The late Mr Enver Hoxha, who died in 1985 after ruling since the Second World War, took Albania on a fiercely independent road in the 1970s after rifts with allies who helped build its factories. The nation is among the world's most isolated.

Mr Hoxha banned credits and foreign investment and insisted on balanced trade. He also severed links with China in 1977 over ideological issues. Peking had become a chief ally and arms supplier since Tirana broke with Moscow in 1961.

Mr Pashko said there had been progress in industry and agriculture and the exploitation of natural resources, adding that economic growth rates were 5 to 7 per cent a year and investment growth was 2 to 3 per cent.

But he said: "There are problems in building an economy through our own means, own finances, own savings."

He said the population had risen to today's 3m from 800,000 in 1944 and would be 4.5m by the year 2000.

"We face big problems supporting this population growth, providing food, employment, higher living standards," he said.

But Mr Pashko said Albania did not want to follow the same path as its non-aligned communist neighbour Yugoslavia. "They chose high debts, high inflation, and it wasn't a solution to their economic development," he said.

In Albania a kilo of beef costs almost a day's labour, a television set costs seven months' wages, but housing is subsidised and costs only two days' wages per month.

Mr Pashko said national per capita income had reached about $1,000 a year but had suffered setbacks.

Drought had caused a loss of revenue in hydro-electric power generation, and there is evidence of drought all over Albania, such as low rivers and stunted corn, indicating that farms also have difficulties.

Some economists say there could be bread shortages this winter because of the drought.

Mr Pashko said $45m were lost when world oil prices collapsed recently. Albania is pumping a little more than 40,000 barrels daily, about 50 per cent short of planned output.

Exact economic data are not released by Mr Pashko's interview and speeches by Mr Alia show growing openness about the economy.

Albanian officials and Western diplomats said Mr Alia had continued Mr Hoxha's policy of self-reliance after succeeding him as party leader in 1985 and had rejected current economic reforms in the Soviet Union as revisionist.

But Mr Alia is toying with limited reforms and re-appraising the economy. Pay incentives have been introduced in mines, farms and textile factories to raise efficiency.

Mr Alia told a party central committee session that things were going badly in the oil sector and the chrome industry was losing money and not producing enough.

Chrome made up 17 per cent of Albanian exports three years ago, earning about $80m a year, Western business sources said. More recent figures were not available.

The Western business sources said chrome exports had fallen to 700,000 tonnes a year from a peak of 1m tonnes in 1981 and quality was deteriorating.

Mr Pashko said the industry badly needed new technology for extracting and processing, but resources to buy it were limited.

A Western ambassador in Tirana said Albania was expanding its foreign relations to diversify trade and obtain technology without relying too much on one partner – "They don't want to rely heavily on one country as they did with Yugoslavia, then the Soviet Union and then China," the ambassador said.

Albania has doubled its trade over the past year with Moscow's East European allies, and bought equipment, such as French turbines, from the West.

The establishment of diplomatic ties last month with West Germany could help it obtain mining and metallurgical processing equipment in return for mineral exports.

"They are trying to keep a balance on trade with East and West," the Western ambassador said.

Western diplomatic sources said measures being considered include limited wage reforms, more power for enterprises to take business decisions, and encouragement of private farming plots.

# US plans talks on commodity price index

By Lionel Barber in Washington

MR JAMES BAKER, US Treasury Secretary, said yesterday that the US would shortly begin talks with Western economic partners on creating a new commodity price index, including gold, as a tool for analysing inflationary pressures and their relationship to exchange rates.

Mr Baker surprised the financial world by singling out gold as a key price indicator during a speech to the annual general meeting of the International Monetary Fund and World Bank on September 30.

In a television interview yesterday, Mr Baker rejected suggestions that he had turned into a "gold bug" or that the Reagan Administration was seeking to return to the gold standard abandoned by President Richard Nixon.

Mr Baker said he was anxious that exchange rate stability achieved between the seven major industrialised nations (Group of Seven) should not work in an inflationary or deflationary way. A commodity price index including gold would be a way of measuring inflationary pressures in the world economy, he said, noting that there had been "extraordinary stability" between the dollar and other currencies since the February Group of Seven Louvre accord.

The Treasury Secretary declined to mention any commodities other than gold as ones the US wanted in the index. "The components will have to be agreed by the seven nations and they are a matter for negotiation over the next few months."

Mr Baker played down the recent rise of half a percentage point in the US prime rate, blaming an "inflationary psychology" in the markets which he said was "totally unjustified."

He forecast that the US inflation in 1987 would be around 4.5 per cent. "We won't see much in excess of that at all."

●Mr Baker, a close friend and political ally of Vice-President George Bush, said he had no intention of running Mr Bush's presidential campaign. He wished to serve out the remaining 15 months of the Reagan Administration as Treasury Secretary.

# Exile's return could split El Salvador guerrilla movement

AN EXILE leader's planned return to El Salvador could hasten the decline of the guerrilla movement's political wing and redraw the country's political map, Reuter reports from San Salvador.

Ruben Zamora, number two in the Revolutionary Democratic Front (FDR), announced last month he intended to return home soon after seven years' exile in Managua, to try to change El Salvador from inside.

He would be the first prominent left-wing exile to return since El Salvador's civil war began late in 1979.

Mr Zamora's decision has sparked heated debate in guerrilla ranks over the future of the alliance between the FDR and the Farabundo Marti National Liberation Front (FMLN), an umbrella organisation of five guerrilla armies.

"Zamora's announcement is a tacit admission that things have sufficiently changed in El Salvador to allow for the left to operate," said a European ambassador. "Coming back would undermine the rebel argument that there has been no significant change and that therefore the war must continue."

The FMLN and FDR have made no formal statement on Mr Zamora's plans, although one guerrilla commander, Ferman Cienfuegos, said at a press conference in rebel-dominated Chalatenango province last week he saw it as "a good thing."

More hard-line commanders are said to disagree sharply, and rebel sources report there have been acrimonious discussions which raised the prospect of a formal split between the FMLN and FDR.

Made up of three left-of-centre parties and several labour groups, the FDR forged an alliance with the FMLN in 1980, when right-wing death squads murdered tens of thousands of leftists.

Death squad killings of civilians have dropped steadily from a 1981 high of 12,501 and the toll is now counted in dozens rather than hundred or thousands.

Mr Zamora fled into exile when his brother Mario, El Salvador's Attorney-General, was shot dead by gunmen.

Since 1980, Mr Zamora and his colleagues on the FDR's political-diplomatic commission have acted as the rebels' diplomatic representatives, travelling the world to press their view that true democracy in El Salvador is impossible without inclusion of the guerrillas in a transitional government pending fresh elections.

That demand, coupled with the rebels' insistence that their military forces must be left intact and later merged with the army, is unacceptable to the Christian Democratic Government of Mr Jose Napoleon Duarte.

Mr Duarte says the rebels are welcome to come down from the mountains and join the political process provided they lay down their arms and renounce violence.

The Government and a rebel delegation which included Mr Zamora failed to make progress on narrowing the vast gulf between their positions in two days of peace talks which ended on October 6.

They were the first face-to-face encounter between the two sides since 1984, when negotiations collapsed over the same issue.

Political analysts suspect that Zamora's decision to return was prompted at least in part by an apparent decline of the FDR's effectiveness.

"A few years ago," said a political scientist in San Salvador, "the FDR was often treated like a government in exile. They would be received at top level in the countries they were touring. Now they are lucky to see an assistant undersecretary."

Announcing his plans to return home, Mr Zamora told a US news magazine he wanted to rally those Salvadoreans who "have nowhere to go ... They don't like Duarte and they are afraid of the FMLN."

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# Turkish parties unite on election law changes

By David Barchard in Ankara

THE LEADERS of Turkey's three main opposition parties are to press today for the recall of parliament amidst signs of a growing constitutional crisis caused by last week's Constitutional Court ruling invalidating parts of the election law.

The official leader of the opposition, Professor Erdal Inonu, met Mr Suleyman Demirel, leader of the True Path Party, and Mr Bulent Ecevit, leader of the Democratic Leftist Party, for 90 minutes at the parliament on Saturday

The three leaders said they were united in their insistence that the Government must abide by the ruling of the Constitutional Court and hinted at a possible opposition boycott of the elections due on November 1 if it does not.

The court said Friday that an article in the election law passed by Mr Ozal in September dispensing with primary elections and allowing party chairman to nominate lists of candidates was a violation of the Constitution.

Edward Mortimer on how the US should respond to Soviet reforms

# Gorbachev puts West on the spot

"HOW SHOULD America Respond to Gorbachev's Challenge?" is the title of a report issued at the weekend. The authors, a bipartisan American task force, clearly hope it may be used as a blueprint by the next US Administration.

The report was launched at a conference in St Paul's, Minnesota, attended by three Nato Foreign Ministers, including Mr Hans-Dietrich Genscher of West Germany who gave the opening keynote speech, and a galaxy of officials and pundits from both sides of the Atlantic.

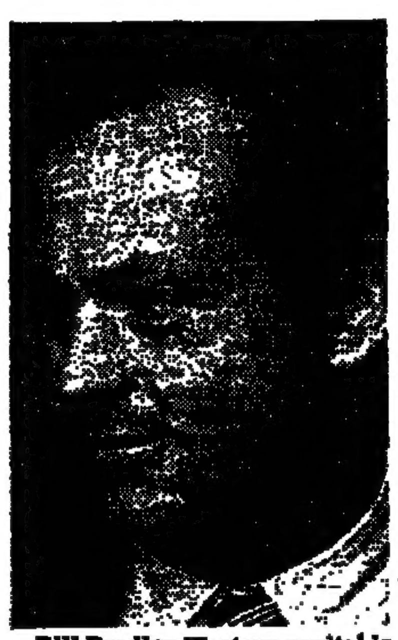
Its main burden is to argue for a more positive Western response to the changes under way in Moscow than the Reagan Administration has so far given. But in their anxiety to achieve consensus, the authors phrased their specific policy recommendations so carefully that Mr John Whitehead, Deputy Secretary of State, was able to welcome the report and assert that it was in line with current policy.

He went on to outline a rather different view of his own, according to which all the positive changes in Soviet policy should be seen as the Soviet response to 'America's challenge to Gorbachev.' This proved that American policy was already on the right track.

Mr Genscher went rather further than the report in welcoming the Soviet changes. Quoting from his own speech at Davos last February, he urged the West to 'take Mr Gorbachev seriously' and hold him to his word. It would, he said, 'be a mistake of historic dimensions if the West were to miss this opportunity.'

By contrast, officials of the British and French governments expressed strong reservations about the report. Mr Philippe Coste, director of the policy planning department in the French Foreign Ministry, argued that the essential purpose of detente was to help East Europeans achieve self-determination, and that on this point Mr Gorbachev's 'new thinking' had nothing to offer.

In addition, both he and his British opposite number, Mr David Gore-Booth, warned against the illusion that Europe could be defended without nuclear weapons.



Bill Bradley: Western capital is strategic asset

Mr Bill Bradley, the Democratic senator from New Jersey, made a tough speech to the conference, arguing that Mr Gorbachev would not be able to carry through his reform programme without access to Western capital, and that therefore the West, 'while not overstating its importance, should treat its capital as a strategic asset and develop a plan and set of conditions for its flow eastward.'

The task force, headed by Prof Joseph Nye, a former Deputy Under-Secretary of State in the Carter Administration, merely recommended that, 'while Western governments should not subsidise credits (to the Soviet Union), neither should they oppose the extension of private credit at commercial rates.'

If Moscow went ahead with price reform and agreed to supply detailed and reliable information on markets and production, it recommended that the West 'should give consideration to granting the USSR observer status in Gatt and possibly in the International Monetary Fund.'

*How Should America Respond to Gorbachev's Challenge? A report of the Task Force on Soviet New Thinking published by the Institute for East-West Security Studies, New York, $5*

# Israeli police teargas Moslems

THOUSANDS of Jewish worshippers and tourists fled Jerusalem's Wailing Wall in panic yesterday as Israeli police used tear gas and fired in the air to disperse Moslem protesters on the biblical Temple Mount, Reuter reports from Jerusalem.

About 2,000 Palestinians chanting "God is great" threw stones and bottles at 200 police to protest against an attempt by militant Jews to enter the mount, site of the sacred Al-Aqsa and Dome of the Rock mosques, police said.

A 60-year-old Jew praying at the wall was slightly injured when a rock thrown from the overlooking Temple Mount struck him on the head. Three policemen were slightly injured.

Jerusalem Police Chief Yosef Yehudai said the violence might have been prompted by a false Israeli newspaper report that Jewish militants had received permission to pray on the mount in violation of a 20-year-old Arab-Israeli understanding.

Moslem religious officials said at least 50 Palestinians were taken to hospital suffering from the effects of the tear gas. Police made 12 arrests. Arab shopkeepers in Jerusalem's walled Old City closed their stalls.

The Wailing Wall, the last remnant of the biblical temple site, is Judaism's holiest shrine. Israel captured the area from Jordan along with Arab East Jerusalem in the 1967 Middle East war.

"We asked the police to allow us to pray there, but they would not allow it," said Mr Gershon Solomon, leader of the extremist Temple Mount Faithful group. There visit coincided with the Jewish Feast of Tabernacles, Sukkot.

The group's ultimate aim is to reclaim the mount for Judaism and rebuild the temple destroyed 2,000 years ago.

Police said the trouble began when Moslem youths formed a half circle to close off the main al-Moghrabi Gate entrance to the Temple Mount. Moslem security men were unable to disperse the crowd, and the youths threw rocks and bottles.

A pall of tear gas descended, scattering protesters on the mount and thousands of visitors who had gathered at the Wailing Wall to observe Sukkot as it was celebrated in ancient times when Jews made a pilgrimage to Jerusalem.

Police eventually allowed five group members to tour the mount briefly.

A Moslem worshipper told reporters: "Jews wanted to pray, but this place is not for them. It's forbidden. This is the Moslem place. They can come but not to pray."

Arab traders in the Old City closed their shops in support of a commercial strike in the occupied Gaza Strip over a gun battle there last week in which four armed Palestinians and an Israeli security agent were killed, police said.

An Israeli man shot while walking in the Old City died on Saturday. An Israeli woman was slightly wounded when stones were thrown at a vehicle in which she was riding in Arab East Jerusalem.

Further disturbances were reported in Gaza, where the army said it shot and wounded at least seven Palestinian demonstrators on Saturday. Palestinian sources put the number at 15.

Military sources said troops dispersed youths who built stone barricades and burned tyres. Many schools were closed. Israeli troops bulldozed the shutters of some stores that refused to open, Palestinian sources said.

The Islamic University was closed by its own administration until Tuesday to prevent further violence during the four days of mourning for the four gunmen, members of the Islamic Jihad, killed in the gun fight.

**PALESTINIAN and Shia Moslem fighters fought at close quarters under heavy artillery cover yesterday for control of two strategic hilltop villages in south Lebanon, Reuter reports from Sidon.**

**Shia Amal militiamen and Palestinian guerrillas traded machine-gun, rocket and mortar fire across the battle-scarred streets of Baysour and Muharbiye.**

**Gunners entrenched on hills around the villages pounded opposite slopes with artillery shells.**

**Police reported five men wounded on each side.**

# Contenders line up for S Korean presidency

By Meggie Ford in Seoul

**VOTERS in South Korea's first presidential election for 16 years this December are likely to have four candidates to choose from after a flurry of declarations and strong hints of their intention to stand by opposition contenders.**

**Mr Kim Young Sam, leader of the Reunification Democratic Party, declared his candidacy at the weekend, breaking an agreement that he and his rival, Mr Kim Dae Jung, would decide between them on a single candidate.**

**Claiming that the ruling Democratic Justice Party, whose candidate is Mr Roh Tae Woo, was already trying to win the election by unfair means, Mr Kim said that he could no longer delay his announcement to run. The election is likely to be held on December 18.**

**Mr Kim Dae Jung issued a statement yesterday saying that he would announce this week whether he would run. To give up, he added, would mean that he had betrayed the people who believe in democracy. At a rally in a town outside Seoul 100,000 people turned out to hear the man who has been banned from active politics since 1980.**

**He said that his respect for Mr Kim Young Sam and friendship with him would not change even though the two had failed to agree on which of them should be the candidate. It was possible that the RDP would have two candidates, he said.**

**Mr Kim Young Sam is to hold his first public rally next weekend in Pusan, the industrial city where his main support lies. Mr Kim Dae Jung may visit the city the day before, on the anniversary of a 1979 uprising against the previous military government of President Park Chung Hee.**

**The fourth likely candidate in the election, Mr Kim Jong Pil, was prime minister in that government. Later he was charged with corruption and removed from office by President Chun Doo Hwan, the current president, who is to step down in February. Mr Kim Jong Pil is expected to declare his candidacy later this month.**

**Today the National Assembly is to approve the new constitution, negotiated by a committee of ruling and opposition party members.**

# S African sanctions high on Commonwealth agenda

Private sector divestment, sweetened by guaranteed access to licences and technology for the new owners, has helped relieve pressure on Pretoria from the business community over trade embargoes, reports **Jim Jones from Johannesburg**

WHEN Commonwealth leaders meet in Vancouver this week, high on the agenda will be discussion of why two years of limited sanctions have failed to bring rapid political change to South Africa.

Mr Nelson Mandela, leader of the African National Congress, has begun his second quarter century in jail, the ANC is still banned, the state of emergency remains in place, residential segregation is still codified in the Group Areas Act, the races continue to be classified by the Population Registration Act and President P W Botha has yet to start talks with credible leaders of the black community.

Specific sanctions were first imposed in protest at apartheid in the 1960s as the United Nations called for a mandatory arms embargo and Mr Harold Wilson, the then British Prime Minister, barred the sale of Buccaneer aircraft to South Africa's military. An Opec oil embargo was introduced in the 1970s.

However, the call for international sanctions, intended to force the Botha Government to dismantle apartheid, only gathered real momentum in 1985 when violence in the black townships focused world attention on South Africa's racial divisions.

The US, the European Community and the Commonwealth all introduced packages of selected economic and other sanctions. But spurred by declining business confidence and shareholder pressure, the private sector began its own initiative.

A chain reaction of divestment began in mid-1985 when Chase Manhattan, the US bank, refused to roll over or make new loans to South Africa. This led to a scramble by US and other bankers to end their exposure to a country seen as increasingly unstable.

These moves triggered a flood of divestment by foreign companies. By September 1985 the South Africans were forced to declare a moratorium on foreign debt repayments. The debt repayment agreement finally signed by South Africa and its creditors led to the reimposition of strict exchange controls designed to protect foreign reserves and now absorbs most of the country's current trade surplus.

Ironically divestment has to an extent taken some business pressure off the South African Government. Local businessmen, prevented from investing abroad by exchange controls, have snapped up the South African interests of divesting companiess at bargain prices. On the whole, those sales have been sweetened by guarantees that the new South African owners will enjoy licensing agreements, will have access to technical co-operation and will continue to receive components from abroad.

For their part, sanctions imposed by governments consist of three main packages. Last August the Commonwealth heads of government endorsed a ban on air links and an end to the import of agricultural products, uranium, coal, iron and steel. Other measures included a ban on the promotion of trade and tourism, new investment and new bank loans.

Britain, however, did not accept all the proposals, refusing to end air links or ban agricultural or coal imports.

The US last year cut air links with South Africa and stopped the import of agricultural produce, coal, steel, iron, uranium and textiles.

The European Community measures, also introduced in 1986, included a ban on the import of iron, steel and gold coins and an end to new investment.

The Commonwealth's sanctions have had limited effect and are seen as irritating rather than damaging. The ban on air links has only led to an end to direct flights from Johannesburg to Sydney, coal and uranium continue to be sold in Britain, at least two official British trade delegations are due in South Africa before the end of this year and tourists who steered clear of the country two years ago when the townships were in flames are now returning.

Strategic metals such as platinum, vanadium and chrome have escaped embargoes altogether, while gold and diamond exports are virtually impossible to control. Even Sweden, one of the most ardent anti-apartheid nations, has relaxed its sanctions to allow four large companies to continue selling mining and engineering equipment to South Africa.

Nonetheless sanctions have had a measurable economic impact. During the first seven months of this year disclosed exports to the American continent were 31 per cent down on sales in the corresponding period of 1986. Exports to Africa, Europe and Australia were also lower.

However, other markets have expanded - Japan has overtaken the US as South Africa's largest trading partner and trade with the rest of Asia has expanded.

At the same time new markets have been found for products barred from specific countries.

South African coal producers have been particularly aggressive in selling their product. Barred from the US and Scandinavian markets since the start of this year, they have established new outlets in Asia.

As a result, fears that sanctions would lead to large-scale unemployment of black coal miners have not been fulfilled.

That is not to say, however, that the combination of sanctions, divestment and foreign debt commitments has not exacerbated the endemic problem of large-scale black unemployment. Although difficult to quantify, the fact that South Africa is committing balance of payment surpluses to foreign debt repayment rather than reinvesting in the domestic economy has had a damaging impact.

Prominent black leaders, including Bishop Desmond Tutu, continue to call for intensified sanctions, views echoed by many South African trade unionists.

However, the black population is not unanimous in this view. Chief Mangosuthu Buthelezi, leader of Inkatha, the predominently Zulu-backed organisation, opposes sanctions on the grounds that they hurt black South Africans more than whites.

This difference of opinion within black South Africa will not make the task of the Commonwealth leaders in Vancouver any easier.

# Philippine unions to strike today

**PHILIPPINE trade unions vowed to go ahead with a national strike today, despite concern that right-wing extremists would exploit the action to provoke trouble or launch new attacks against President Corazon Aquino's government, AP reports from Manila.**

**The Labour Advisory and Consultative Council, a group of workers' organisations, claimed the strike would affect transport, schools, government and private offices, and factories.**

**The council called on workers to rally at more than a dozen points in Manila to press demands for a 10-peso (£0.30) rise across-the-board in the daily minimum wage.**

**The government has asked Congress to enact an eight-peso increase, but the unions rejected that.**

**The council and the affiliated Trade Union Congress of the Philippines said they would call off the strike only if Mrs Aquino were to agree to 10 pesos.**

**The strike would be the first big labour action since the coup attempt of August 28, which came two days after workers had stopped public transportation in Manila and other cities.**

IRAN OIL EXPORTS TO US

# Reagan likely to approve ban

BY LUCY KELLAWAY

**PRESIDENT Reagan is likely to put his signature to a bill within the next few weeks that would ban all imports of Iranian oil into the US.**

**In theory the move could have important consequences for the oil market. It could put pressure on Iran to cut prices, undermining the agreement between members of the Organisation of Petroleum Exporting Countries that has succeeded for almost a year in holding prices at around $18 a barrel. In practice, however, the ban will be difficult to enforce, and may prove ineffective without the compliance of Japan, Iran's biggest customer.**

**As the US has become increasingly dependent on imports for its oil supplies, it has been increasing its purchases from most Opec members, including Iran. Indeed, so far this year the US has spent more than $800m on Iranian oil, and purchases are running at twice the rate of last year. The monthly totals have been erratic, however, rising in the early summer to a peak of 600,000 barrels a day, about one-third of Iran's total oil exports, and falling back to about 170,000 b/d in September.**

**Although the present figure is low compared with Iran's total oil exports of about 1.6m b/d, it is not insignificant, especially as the proposed ban comes at a time when Iran is already having difficulty selling its oil. According to the International Energy Agency, total Iranian oil production fell to 2.1m last month from almost 3m the month before. According to senior oil executives the position is likely to get worse this month and next.**

**While some of the recent decline in production may be due to war damage to Iranian oil installations, and a smaller part perhaps due to the French embargo on Iranian supplies, the most important cause is a drop in demand as a reflection of recent oil price movements. During July and August customers were fighting to buy Iranian oil at fixed prices, as the price on the spot market was about $3 higher. With the two prices now in line, and with demand falling, Iran has had little choice but to cut production.**

**The force of the US ban would be increased if Japan, which accounts for about half of Iran's exports, could be persuaded to do likewise. While there was some speculation last week that the Japanese might take such a step to divert US attention from the trade imbalance between the two countries, an immediate move seems unlikely. Indeed officials in Washington have doubted that the US has the stomach for a concerted ban, as any resulting fall in the oil price would hurt the domestic economy.**

**In any event, the market appears unconcerned about the possible effects of an embargo. The ban imposed by France, which consumes a similar quantity of Iranian oil as the US, earlier in the year is reported to have failed to stop imports.**

**Indeed, the market is thoroughly cynical about the effectiveness of any oil embargo. It has seen South Africa buy all the oil it needs in the face of a comprehensive oil ban which few countries can be proved to be breaking. As the ownership of any given cargo can change several times during passage, it is easy to disguise where the oil comes from. Furthermore, if the oil is delivered first to Rotterdam, and then sent on - perhaps as refined product - tracing its origin becomes almost impossible.**

# Paris agrees to help fund propfan aircraft engine

BY IAN DAVIDSON IN PARIS

THE French Government is to make a FFr2.5bn (£251m) advance to Snecma, the state-owned aircraft engine manufacturer, for its share of the production costs of the revolutionary "propfan" aircraft engine, the Prime Minister's office announced yesterday.

The decision gives the green light to the development of this new type of engine, which is expected to rival the speed of jet engines but at much lower fuel consumption and noise level.

Snecma and General Electric of the UK agreed in principle to collaborate on the development of the so-called Unducted Fan (UDF) engine two years ago, with Snecma undertaking 35 per cent of the project.

Snecma has been associated with General Electric in the production of aircraft engines for many years, notably through the companies' 50/50 partnership in CFM International, which makes the CFM 56-range jets for the Airbus and the Boeing 737, but also directly through Snecma's 10 per cent share in the production of the CF6 engine, which powers the Boeing 747-400.

The Government announcement said that the reimbursable advance of FFr2.5bn would correspond to 60 per cent of Snecma's share of the development costs. The company said that its share of these costs would be slightly under FFr5bn, which implies that the total development bill could run to around FFr2.35bn.

General Electric has never put a precise figure on the total expected development cost, though it has suggested rather smaller sums than this, of the order of FFr1-1.5bn.

The revolutionary feature of the UDF engine is that it uses propellors with eight to 10 blades ducted like those of a ship's screw. The concept is designed to produce savings in fuel costs of up to 40 per cent, and substantial reductions in noise levels, without sacrificing speed.

The first flight of a prototype UDF engine took place on a modified Boeing 727 in August 1986, and a second series of tests took place earlier this year on a McDonnell Douglas MD-80 yesterday.

One of the main targets of the new GE-Snecma engine, codenamed the GE-36, is expected to be the advanced technology Boeing 7J7 airliner with 150-170 seats. Since Boeing is now expected to delay the introduction of the 7J7 until 1993 or even 1994, there has been speculation that the GE-Snecma UDF engine would be similarly delayed.

Snecma continued to insist yesterday, however, that the new propfan, with its planned thrust of around 25,000 lb, would be ready by the planned target date of 1992, or even 1991, in time for the McDonnell Douglas 91.

# US to give services proposals to Gatt soon

By Peter Montagnon, World Trade Editor

THE US will present formal proposals for the liberalisation of world trade in services to the General Agreement on Tariffs and Trade in Geneva within the next month, Mr Michael Samuels, US ambassador to Gatt, said in London.

He told a press briefing that the proposals would seek to establish principles of increased transparency and non-discrimination for trade in services, as well as national treatment which would allow foreign service industries the same rights as the domestic industry in individual national markets.

They were, however, unlikely to go into sectoral detail at this stage.

The proposals could bring fresh momentum to this part of the current Uruguay round of multilateral trade negotiations, which has concentrated so far on establishing the necessary data and definitions on which negotiations could proceed.

Mr Samuels said that, despite the absence of concrete results to date, the Uruguay round was proceeding at a satisfactory pace. It should be possible to report definitive progress at a mid-term review late next year and the round itself should be complete on schedule by the end of 1990.

The latest European Community proposals on agricultural reform drew a mixed initial response, however. Mr Samuels said the EC had produced proposals sooner than expected. "The fact that they have a proposal at all is a positive sign. It shows that the EC is serious about negotiating agriculture."

It was too early to react in detail because the EC plans have yet to be agreed at ministerial level and may not be presented to the Gatt in their current form, he said.

However, they did seem to contain some unhelpful points in that they implied a partial increase in protection as well as suggestions of market-sharing.

The US had proposed a total elimination of trade-distorting subsidies by 2000, he said. There was support in the US farm community for such an approach, if it were on a multilateral basis.

"There is a tremendous drain on the Treasuries of the world to support a minor part of the population." he added.

# EC starts anti-dumping probe into American urea exports

BY WILLIAM DAWKINS IN BRUSSELS

A NEW irritant entered EC-US trade relations yesterday when the European Commission launched an anti-dumping inquiry into imports from America of urea, a chemical used to make fertiliser. The investigation which also covers imports from Austria, Hungary, Malaysia, Romania and Venezuela follows the imposition last May of anti-dumping duties on dumped urea from eight other countries.

It comes in response to complaints from CMC-Engrais, an organisation that represents the EC's top fertiliser makers, including ICI of Britain, Montedison of Italy and BASF of West Germany. It claims that EC sales of urea from the six countries in the current case more than quadrupled, from 102,000 tonnes in 1983-84 to 414,000 tonnes in 1986-87, which represented an expansion in market share from 3.6 per cent to 12 per cent. Production in the EC, already burdened with overcapacity, fell steeply in the same period.

To achieve this sales growth, the importers involved fixed their prices well below EC levels and forced Community producers to drop their own prices in response, especially in West Germany, France, Ireland, Italy, Spain and Britain, claims the group.

EC producers say unfair pricing was to blame for several plant closures and others could be on the way if the alleged dumping is not stopped. Moreover, they want any duties charged to be backdated to when the dumping started. The Commission has given the companies involved 30 days to respond to the allegations.

# Community milk quota system criticised in court report

BY TIM DICKSON IN BRUSSELS

SHARP criticisms of the way in which the European Community's milk quota system has been implemented are contained in a report just published by the Luxembourg-based Court of Auditors.

The Court, often dubbed the Community's financial watchdog, highlights flaws in the scheme's initial conception, the weak application of the rules by some member states, and poor supervision in several respects by the European Commission.

But it acknowledges that major changes were made in April this year which should make quotas more effective in achieving a better balance in the market.

The report follows the Commission's proposals last month that the milk quota system introduced in 1984 to control milk production in the Community through a levy on excess quantities - should be made a permanent feature of the Common Agricultural Policy (CAP) when the current temporary arrangements run out in 1989.

This was based on the Brussels executive's own review a document which admitted certain initial deficiencies in the operation of the scheme but which drew attention to the more positive impact of the regime so far this year.

The Court of Auditors report points out that the aggregate level of quotas adopted by farm ministers in 1984 built in a surplus of milk' production over consumption of more than 5 per cent and highlights the way in which unused quotas could be used by farmers to offset "over-deliveries," thereby severely reducing the disincentive effect of the so-called superlevy on excessive production.

It says that member states have generally devoted "considerable resources at national and local level" but draws attention to some notable exceptions.

Italy, for example, which is the Community's fifth largest milk producer, has not implemented the scheme on the grounds that it lacks the basic statistical data and administrative resources.

West Germany, the Netherlands and Belgium have issued quotas to farmers above their national limits, while France and Denmark have entered into questionable arrangements to reduce the penalties suffered by their farmers.

The Commission is also criticised for slowness in opening infringement proceedings against offending member states, weaknesses and gaps in its management information, and insufficient evaluation of the potential effects of its proposals.

# SHIPPING REPORT

# Demand for tankers in Gulf stays high

By Kevin Brown, Transport Correspondent

DEMAND for tanker tonnage remained high in the Middle East Gulf last week, partly as a result of the temporary withdrawal of Japanese ships.

Brokers said charterers appeared to be nervous about the possibilities of a further increase in the level of hostilities, particularly in view of attacks on several vessels at the southern Iranian loading installation at Hormuz Island.

There was some concern that other owners might decide to follow the Japanese example on a more permanent basis, but this suggestion has been made several times before, and is unlikely to be acted on while demand remains high.

The Japanese ban on Gulf trading freed a number of cargoes for fixing on the open market, with a consequent upward pressure on rates which was not reversed when the ban was lifted towards the end of the week.

Galbraith's, the London brokers, said one large Japanese trading house had fixed a 210,000 tons deadweight very large crude carrier at Worldscale 60 for the trip to Japan, while a Japanese oil company paid Worldscale 54 to 230,000 tons on the same route.

E.A. Gibson Shipbrokers said rates up to Worldscale 60 were being paid by Japanese charterers for VLCCs loading in the northern Gulf, where owners face additional insurance costs.

Rates to Western destinations also moved upwards: Greek owners secured Worldscale 46 for a cargo of 250,000 tons to the US Gulf.

Elsewhere, the level of inquiries was said to be steady in West Africa, but deteriorating in the North Sea and Caribbean, where rate levels have been falling. Business was sluggish in the Mediterranean, although there was increased interest in the 130,000 tons class towards the end of the week.

In the dry cargo markets, the key US Gulf to Japan rate moved up slightly to $17, and the Gulf/Continent rate to $9.50. Brokers said the level of timecharter business for 1988 was encouraging, with good demand from Chinese charterers. There was little interest from the USSR, however.

# Portugal and S Africa hold talks on dam

By Diana Smith in Lisbon

THE PORTUGUESE and South African foreign ministers held reportedly tough talks in Lisbon on Saturday in preparation for November meetings of Portuguese, Mozambican and South African officials.

There were said to be differences between Mr Joao de Deus Pinheiro, the Portuguese Foriegn Minister, and Mr Pik Botha, his South African counterpart, in the talks, which focused on the Cabora Bassa Dam in Mozambique.

The dam was built by the former right-wing, pro-South African Portuguese regime when Mozambique was a colony to carry electricity to South Africa. Portugal has carried a $600m debt on the project since the mid-1970s.

Since Mozambican independence in 1975, Portugal has held periodic fruitless talks with South Africa.

Crucial equipment and pylons have been systematically sabotaged by the Mozambique National Resistance (Renamo), the South African-backed rebel movement.

Portugal has earned nothing from the dam'

# UK Trade Minister to visit Nigeria

BY NIM CASWELL

THE BRITISH Minister for Trade and Industry, Mr Kenneth Clarke, is planning to visit Nigeria at the beginning of November, it was announced at a seminar of the Nigerian-British Chamber of Commerce last week.

The visit, the first for several years by a British Trade Minister, marks a further step in the cautious rebuilding of commercial relations between the two countries after a period of acute economic difficulties.

Mr Clarke will inaugurate a three-day promotional campaign on the theme, Britain and Nigeria: Partners in Trade, in the northern Nigerian city of Kano.

He is also expected to hold talks with Nigerian officials on a recently announced £200m medium-term line of credit made available by Britain's Export Credits Guarantee Department. He will also discuss broader questions touching on Nigeria's external debt of more than $20bn.

Relations between the two countries have improved considerably under the administration of President Ibrahim Babangida, who took power in a bloodless coup in August 1985. Britain has been strongly supportive of the remedial measures taken to correct Nigeria's severe economic difficulties.

British exports to Nigeria have slumped from a peak of nearly £1.5bn at the height of the oil boom to £566m in 1986. Exports this year are expected to be a little more than £500m. The UK, nevertheless, remains the country's most important supplier, providing nearly 22 per cent of exports from the Organisation for Economic Co-operation and Development to Nigeria in 1986.

Addressing the Nigerian-British Chamber of Commerce meeting on Friday, the ECGD's chief executive, Mr Malcolm Stephens, described his department's policy as one of keeping 'prudent faith' with the Nigerian market.

The ECGD he said, had been considerably more forthcoming than other credit insurers in maintaining and restoring cover. The department was looking at ways of extending short-term cover.

# Plessey set for Chinese deal

By Lucy Kellaway

PLESSEY, the UK electronics group, is expected today to sign a big contract with China for the sale of System X, the digital telephone exchange.

The order, expected to be worth about £10m, is the result of three years of negotiations and marks the first sale of the exchange in a major overseas market.

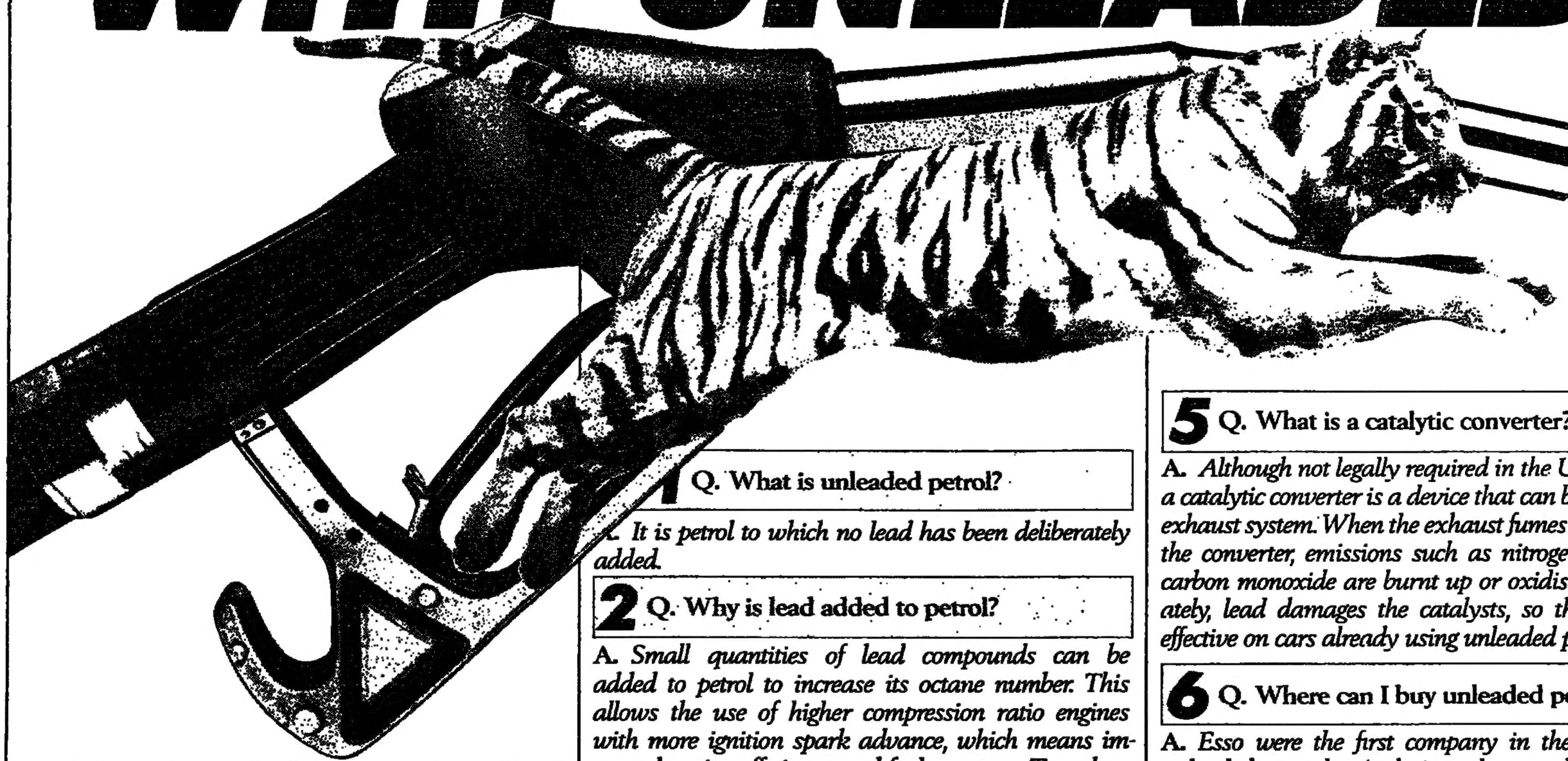
## WORLD ECONOMIC INDICATORS

RETAIL PRICES (1980=100)

| | Aug. '87 | July '87 | June '87 | Aug. '86 | % change over previous year |
|---|---|---|---|---|---|
| W. Germany | 121.2 | 121.3 | 121.3 | 120.2 | 0.8 |
| France | 167.9 | 167.6 | 167.2 | 162.3 | 3.5 |
| Italy | 211.8 | 211.2 | 210.5 | 201.9 | 4.9 |
| Netherlands | 122.4 | 122.1 | 122.2 | 121.8 | 0.5 |
| Belgium | 145.6 | 145.1 | 144.6 | 142.3 | 2.3 |
| United Kingdom | 152.7 | 152.3 | 152.4 | 146.3 | 4.4 |
| USA | 138.8 | 138.2 | 137.8 | 133.1 | 4.3 |
| Japan | 115.2 | 115.1 | 115.7 | 114.7 | 0.4 |

Source: (except US) Eurostat

# LEAPING AHEAD WITH UNLEADED.



Unleaded petrol is becoming the order of the day for more and more motorists in Britain.

And the company that is serving them best is Esso.

We were the first company to introduce unleaded petrol in Britain, opening our first pump in June 1986.

Since then, our national network of strategically chosen sites has steadily grown and is far larger than that of any of our competitors. By December 1987, there will be over 200 Esso stations offering Esso Unleaded.

You may ask, "What has this to do with me? My car can't run on it."

The surprising fact is that 40% of post-1985 cars can run on unleaded petrol with minor adjustments to their engines. Eventually, of course, all new cars will be designed to run on unleaded, which should be widely available in the UK and other EEC countries by October 1989.

For motorists, the changeover will probably raise a series of questions – which is why we've produced this page.

Alternatively, you can pick up the Esso Unleaded leaflets, including our Service Station Site Directory, at your nearest Esso station.

We hope that in this European Year of the Environment you will find them helpful.

**1 Q. What is unleaded petrol?**

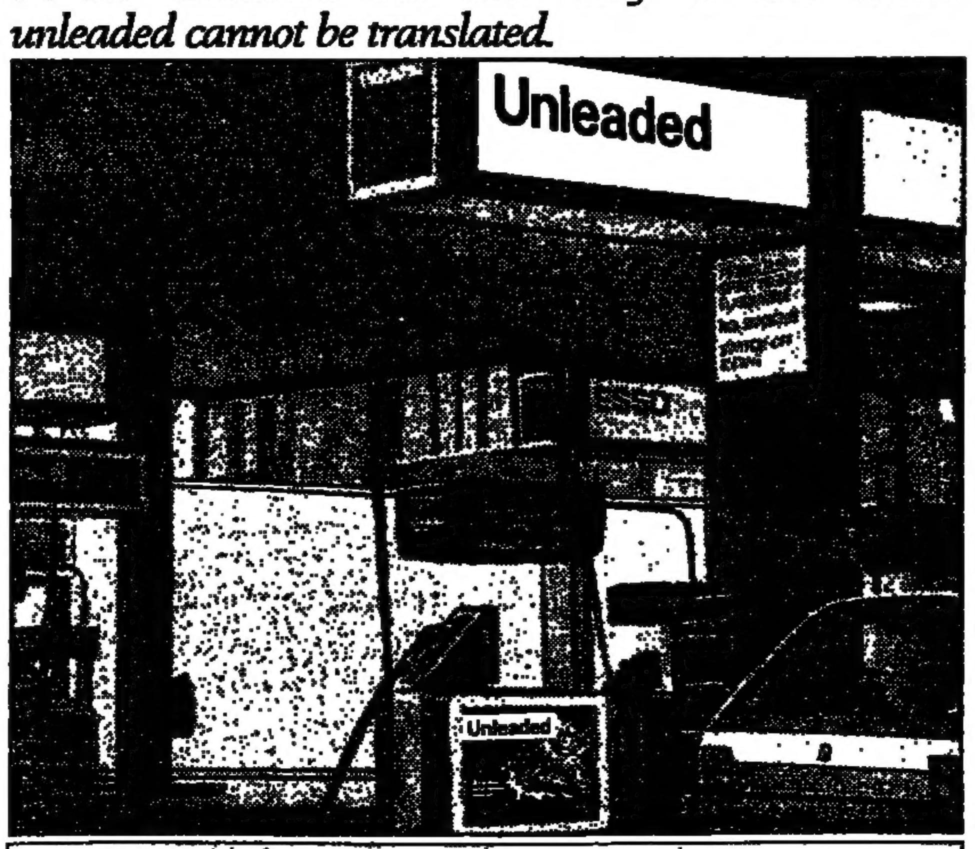
*A. It is petrol to which no lead has been deliberately added.*

**2 Q. Why is lead added to petrol?**

*A. Small quantities of lead compounds can be added to petrol to increase its octane number. This allows the use of higher compression ratio engines with more ignition spark advance, which means improved engine efficiency and fuel economy. To replace lead we have to introduce more high octane compounds to compensate.*

**3 Q. What is 'low lead' petrol compared to unleaded?**

*A. Low lead refers to the normal leaded petrol which is currently available. This is because the lead content was reduced in all petrol to 0.15g per litre on 1st January 1986 from its previous level of 0.40g per litre, in line with British Standard 4040. Unleaded petrol is allowed to contain up to 0.013g per litre which is why it cannot be called 'lead free', although on the Continent this term may be used where unleaded cannot be translated.*




**4 Q. Can I use unleaded petrol in my car?**

*A. The majority of cars in the United Kingdom have been designed to run on leaded petrol. However, nearly 40% of post-1985 petrol cars are now capable of running on unleaded fuel, although most will need some minor adjustments to allow this. Eventually all new petrol cars will incorporate the necessary modifications for them to run on unleaded. Before attempting to use unleaded petrol you should check first with your car dealer or motor manufacturer.*

**5 Q. What is a catalytic converter?**

*A. Although not legally required in the UK at present, a catalytic converter is a device that can be fitted to the exhaust system. When the exhaust fumes pass through the converter, emissions such as nitrogen oxide and carbon monoxide are burnt up or oxidised. Unfortunately, lead damages the catalysts, so they are only effective on cars already using unleaded petrol.*

**6 Q. Where can I buy unleaded petrol?**

*A. Esso were the first company in the UK to put unleaded on sale. And since then we have been increasing the number of our service stations that sell unleaded petrol. We have more stations selling unleaded than our competitors – and by the end of 1987 the number of sites will have risen to over 200. For details of where you can buy Esso Unleaded please pick up a FREE copy of our latest site directory from any Esso station.*

**7 Q. How will I know which pump dispenses unleaded petrol?**

*A. Esso Unleaded pumps are clearly marked UNLEADED and will usually have a small pump nozzle and identification cover marked UNLEADED on the nozzle.*

**8 Q. What happens if I inadvertently put the wrong fuel in my car?**

*A. Given the safeguards mentioned above it would be very difficult for you to do so. However, an isolated incident may not be too serious. Unleaded petrol used in an engine designed to take leaded, or leaded petrol used in an unleaded engine, could eventually cause damage to the engine.*

**9 Q. What about other petrol fuelled equipment, like my lawn mower and chain saw?**

*A. Some will operate successfully on unleaded. However, you should check with the manufacturer or dealer for specific advice and follow their recommendations.*

**10 Q. For how long will leaded petrol continue to be available?**

*A. Unleaded petrol will be phased in over a number of years. Therefore both leaded and unleaded will be available for a transition period which will be as long as the present product is required to supply today's cars.*

**11 Q. What happens if I take my car to the Continent?**

*A. Both leaded and unleaded petrol are available in Europe. There may be slight differences in unleaded to take account of local conditions, but this is unlikely to affect a car that can run on unleaded petrol.*

Esso

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# Something rotten in the Nanny State

JOHN PLENDER

**ARE sex and violence safe with the Tories? After the Blackpool conference last week there is plenty of room for doubt.**

The Hungerford killings generated understandable concern about violence on television which called for a political response. Government insiders are critical, often to the point of paranoia, about standards of every kind on television. Yet it is hard to see what the proposed Broadcasting Standards Council unveiled on Wednesday by Mr Douglas Hurd, the Home Secretary, is going to do about it. Or, indeed, how such a quango can be regarded as ideologically sound by any committed Thatcherite.

We are told that the new body will receive complaints about taste, decency and violence in all forms of television, raidio, cable and satellite broadcasts. But the only statutory power it is likely to have is the right to ask broadcasters to put out its findings on their own programmes. This amounts to a mandate to do little more than is being done already. Programme makers are obliged either by law or the BBC charter to observe standards of taste and decency. We already have a Broadcasting Complaints Commission and politicians do not hesitate to create a monumental fuss which is faithfully reported in the press if they feel a television programme has gone over the top.

What the new quango will not do is address the one genuinely new area of concern about taste and decency in the media. That is the likelihood that satellite broadcasting will bring about a dramatic increase in the availability of soft porn and violence on the screen—a personal worry of Mrs Thatcher. Yet there is nothing in the Broadcasting Standards Council's armoury-to-be that amounts to a convincing deterrent to the American, Australian or Italian entrepreneur who regards the British market as ripe for plucking.

This is not something that should come as a surprise to readers of this paper, because the internationalisation of broadcasting gives rise to very similar problems to the internationalisation of financial services. Over the present economic cycle, governments in the developed countries have been competing with each other to offer a lower level of financial regulation in order to attract business to their own financial centres. Those who use and supply capital, naturally gravitate towards markets where regulation is minimal and dealing costs are consequently low. Thus, there is a risk that standards of behaviour and of prudential supervision will sink towards the lowest common denominator.

The best way to address the problem is through international agreements. In high finance this is a hard and slow grind. But ultimately it can achieve something because central bankers and security watchdogs do perceive a common interest in protecting both the investor and the system. In broadcasting, the outcome is more problematic. The British, American, Swedish, French and Italian view of taste and decency is an amalgam that stretches the imagination to breaking point. As the writer George Mikes once remarked, continental people have sex life; the English have hot water bottles. Or that at least is how some politicians would like the English to be perceived.

What then is the Broadcasting Standards Council all about? A cynic would say that it is the perfect expression of the hypocrisy and muddle that now afflicts the Government over broadcastings. Deregulation is supposed to be the cornerstone of Thatcherite philosophy; freedom of choice is to be returned to the people. Yet, when it comes to the crunch, Mrs Thatcher does not trust the people; they are free to choose just as long as they choose the sanitised stuff that The Party deems fit.

Unsanitised sex is, on the other hand, perfectly acceptable in the tabloid press. According to Mr Norman Tebbit, the outgoing party chairman, naked girls on page three of the Sun or the Star—both staunch Tory supporters—are "fun." And in a remarkably frank pre-conference revelation on the BBC's This Week, Next Week, in which he firmly identified himself with the man in the pub, Mr Tebbit indicated that he saw no great difference between page three girls and paintings in art galleries.

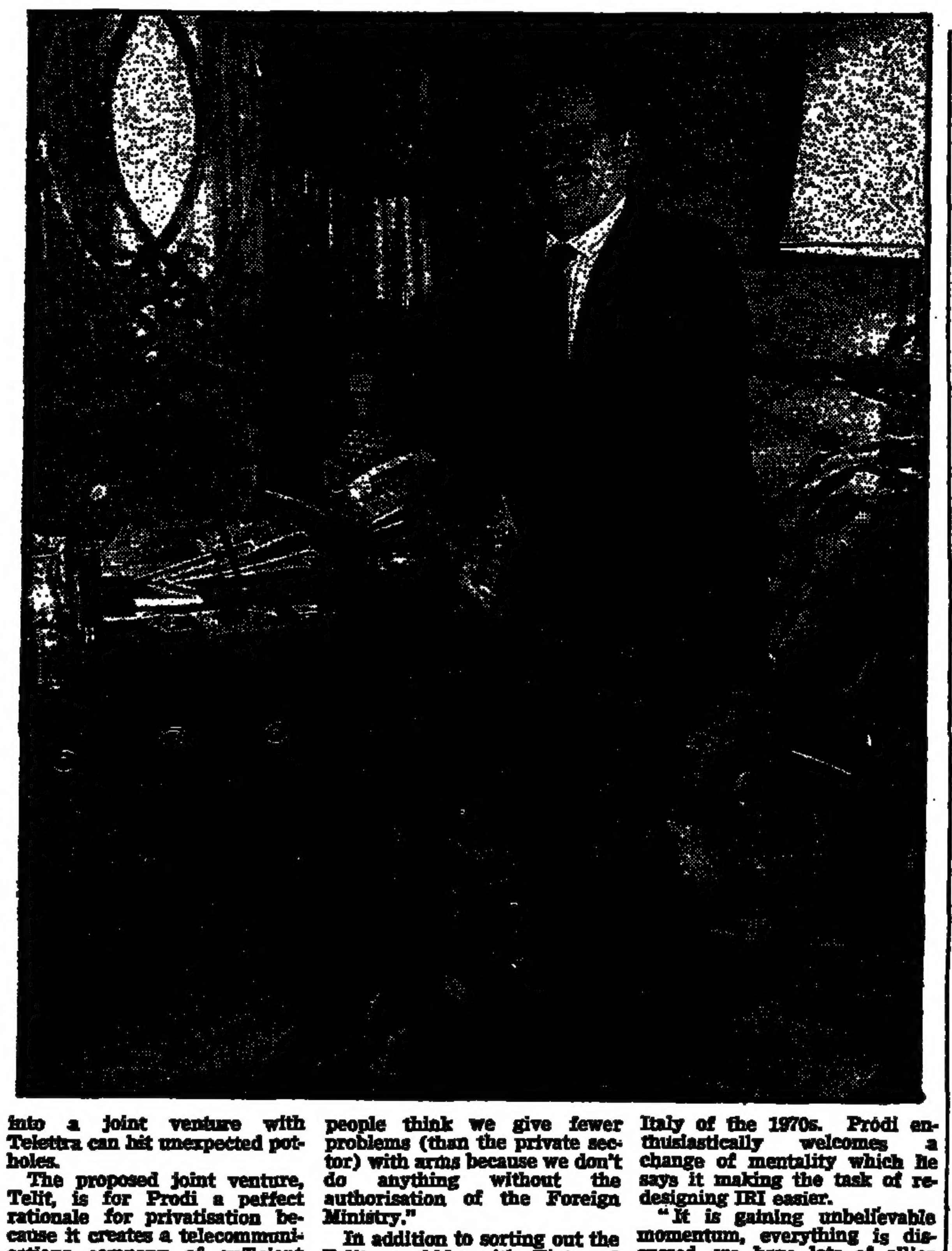
Perhaps he was simply getting carried away by his own populist rhetoric. And certainly page three is, by modern standards, pretty innocent matter. But it is hard to think of any previous Conservative politician of comparable status who could or would have delivered a statement of such stunning philistinism. It also reveals a thoroughly patronising attitude to ordinary people. Even the most paternalistic of the High Tories whom Mr Tebbit so despises would never have taken so dismal a view of the aspirations of the British people.

The fact remains that where the media are concerned Thatcherism is about the Nanny State—robustly authoritarian on television, indulgent when it comes to the press, but ultimately ineffectual in the face of the consequences of deregulation, because the medium is the market.

INTERVIEW

# The seven years' war

## John Wyles meets Romano Prodi, president of Italy's IRI



ROMANO PRODI, who generally veers towards the rotund, has never looked trimmer. "When I am angry, I go running at night," he says, inviting the obvious conclusion that he must have been in a blazing temper in recent weeks. A certain amount of choler would have been easily understood: the president of the Italian state's Istituto per la Ricostruzione Industriale—better known throughout the world as IRI—has been battling his way through a series of political and industrial problems which would test the best of temperaments.

Not that Prodi's is lacking. One marvels at his constant bonhomie in a job subject to quite unusual pressures. Most conversations with him are punctuated by chuckles, uproarious laughter and frequent irreverent asides. His current svelte shape obviously owes more to his passion for cycling up and down the mountains around his native Bologna than to regular bouts of anger.

**● PERSONAL FILE**

**1939:** Born Scandiano, Reggio Emilia

**1957-61:** Catholic University of Milan, degree in Economics and Commerce

**1961-78:** Professor of Industrial Relations, University of Bologna

**1978-1979:** Minister for Industry

**1979-82:** Returned to his post at the University of Bologna

**1982:** President of IRI

He has spent five years running what is arguably the most impossible conglomerate in the world. IRI is a corporate bran tub, first filled in the 1930s with the banking and industrial casualties of recession and then replenished in the 1970s with grievously sick enterprises that no Italian politician of any importance could bear to see put down.

With sectors as diverse as banks and biscuit manufacturing, as deeply troubled as steel and shipbuilding, and as technologically pioneering as telecommunications and aerospace, in recent years IRI has been both a financial burden and an industrial anomaly.

Prodi set about sorting out its problems with the same energy which takes him pedalling up hill and down dale. "I have tried to apply what I was teaching for years and it works," laughs this former Professor of Industrial Policy at Bologna University. Thanks to strong banking profits, robust recovery in some industrial units and telecommunications, and the sale of minority shareholdings in several subsidiaries, last year IRI made a slender profit for the first time since 1974.

So if the balance sheet can look forward to better days, what contribution can IRI make to strengthening and diversifying the Italian private sector through privatisation. Prodi does not readily attack the subject in public, although he is not dodging it in practice. Alfa Romeo has been sold to Fiat despite years of heavy losses. IRI's stake in four major banks is being steadily diluted, while its holding in the country's most powerful merchant bank, Mediobanca, will soon be reduced from 56 per cent to 20 per cent.

Add in the new joint microchip venture between IRI's SGS and Thomson of France and the proposed merger between Italtel and Fiat's Telettra and you have a picture of gradual but determined changes in ownership — although in many cases IRI is retaining a "core shareholding" in its enterprises. Prodi shies away from the word privatisation — he has let it be known on occasions that it is too closely associated with Britain's Mrs Thatcher, whose barnstorming approach is somewhat offensive to the deeply engrained Italian habit of consensus.

Prodi is also wary of stirring up a domestic hornet's nest among politicians attached by conviction or self-interest to the current public sector activities.

So he talks instead of moving the "mobile walls" between public and private sectors. "These were created by necessity 50 years ago and the same necessities no longer apply. My simple rule is that if Mr X can do this well, why should the government?"

The privatisation process in Britain and France is greatly helped by coherent government majorities. Italy has been ruled by five-party coalitions since 1983 and Prodi has to be determined, subtle and occasionally devious, to persuade politicians to help shift his "mobile wall."

The absence of political cover can be a bitter experience as he found when his attempt to privatise SME, the food subsidiary, collapsed in 1985 in the face of opposition from the then Prime Minister, Mr Bettino Craxi.

Bloodied but unbowed, he shifted Alfa out of IRI almost a year ago and then accepted the pause imposed by last June's general elections. But even relatively straightforward exercises like putting Italtel into a joint venture with Telettra can hit unexpected potholes.

The proposed joint venture, Telit, is for Prodi a perfect rationale for privatisation because it creates a telecommunications company of sufficient size to interest major companies such as Siemens and Ericsson in collaboration. "We have a problem of dimension in IRI, which is a giant made up of dwarfs. The boss of General Electric told me recently that he would withdraw from markets in which he could not be in the top three world-wide. I said that would just leave me in steel."

He would like, then, to use the IRI patrimony to bolster the private sector's powers to compete in the single European market which will begin in 1992 if the European Community achieves its self-imposed deadline. What sort of an IRI could he identify a decade hence?

"We would be running some public services like the telephone system with minority shareholdings. We would still have the *autostrada* and some civil construction for projects which cannot be done by public administration. We would also have weapons, through such companies as Fincantieri (shipbuilding), Aeritalia (aerospace) and Selenia (electronics)—although I never talk about this.

"We don't make mines," said Prodi in a smiling reference to a current scandal over possibly illegal exports of Italian mines to Iran and Iraq. "Normally, people think we give fewer problems (than the private sector) with arms because we don't do anything without the authorisation of the Foreign Ministry."

In addition to sorting out the Telit squabble with Fiat and piloting the privatisation of Mediobanca, Prodi's mind is currently full of his steel problem. Finsider, the IRI steel holding company, is heading for a loss this year of L1,500bn (£695m) after last year's L984bn loss.

Prodi says he is ready for a second round of capacity and job cuts and accepts personal responsibility for the fact that past restructuring and a 55,000 reduction in employment numbers have still not put the public steel sector on its feet.

But the bargain he wants to strike with the European commission in Brussels would allow him to write off much of Finsider's debt in return for closing plant.

He believes fundamentally in the importance of providing alternative employment to redundant steelworkers. "If I have to close the Bagnoli plant at Naples, then I shall close it. But it is an Italian thing to find other jobs in Naples; the politicians say it is up to me and I accept this." He added with a pointed chuckle, "it is not my philosophy to be cruel... I am not a woman."

The fact that he can openly contemplate the closure of a plant like Bagnoli with its 3,500 employees marks one change from the nervous, job-protective Italy of the 1970s. Prodi enthusiastically welcomes a change of mentality which he says it making the task of redesigning IRI easier.

"It is gaining unbelievable momentum, everything is discussed, we have lots of allies and the difference is enormous. Of course with a better rate of growth to offset 11 per cent unemployment, I could go even faster. And there is still the problem of the Mezzogiorno..."

Prodi has committed around L13,000bn of IRI investment to the Mezzogiorno over the next three years, an act which, perhaps, plays more to the gallery of unchanged attitudes in Italy. There is still a touching faith in Rome that the problem of regional backwardness will be solved by throwing more money at it. Prodi prefers to keep his own council, but it would be politically unthinkable for IRI not to be setting an investment example.

After five years of riding the political punches and nudging his group towards greater private ownership and a more rational structure, Prodi is still enjoying himself. "I came here with something of a second-rate reputation—professional, you know—and I have shown that change is possible. I treat this experience like a temporary battle lasting six, probably seven years and then I shall go back to academic life." Demonstrating that he has lost none of his didactic urges, he scribbled out five aphorisms as we left, the last of which says simply, "enjoy fighting."

# Judge Bork and the law are losers

## By Leo Herzel and Daniel Harris

AT THE University of Chicago Law School, Judge Robert Bork's alma mater, some faculty members play a game of ranking the most insignificant justices in the history of the Supreme Court. Judge Bork would never have made such a list. Nor is it likely he would have been a candidate for any other list of Supreme Court justices with unsuitable or disagreeable characteristics.

In fact, Judge Bork probably would have been a highly stimulating, intellectual and effective Supreme Court justice, particularly on economic and business issues. His economic sophistication made him an ideal replacement for Justice Powell, who was the Supreme Court's only corporate lawyer and its leader in business cases.

Judge Bork

Judge Bork was assailed on social issues, but even his enemies had to acknowledge that he was not a racist, a sexist, a bigot or an authoritarian. (He, however, does carry quite far a belief in allowing individual merit, competition and freedom full sway.) While his appointment might have moved the Court slightly to the right on a few issues, it is highly unlikely that he would have attempted to overrule the civil rigths decisions of the Warren Court. After his concessions at the Senate Judiciary Committee this no longer seemed to be an issue.

Why then is Judge Bork's nomination being attacked so bitterly? His iconoclastic record was a big factor. Robert Bork was a quick-witted, intellectually aggressive and ambitious young man when he arrived at the Yale Law School faculty, a little late, after a career as a practising lawyer. Coming out of an intellectual tradition at the University of Chicago where finding fault with highly regarded and widely accepted soft ideas was a prized activity, he found plenty of unchallenged soft ideas to attack. He began with antitrust law and broadened his challenge to constitutional law. In the process, he made enemies among lawyer-intellectuals and (with some notable exceptions) they did not support him in his time of need. This hurt him badly because it left political and pressure group enemies with an open field.

Judge Bork stepped on to difficult ground with his advocacy of originalism, the doctrine that the constitution should be interpreted as it was intended by those who wrote it. Originalism contains an important common sense insight that probably had been slighted in the 1960s and 1970s, but as a constitutional theory its usefulness is limited. It is very hard to discern the original intent behind the general language in the controversial parts of the Constitution, for example, the First Amendment, the Due Process Clauses in the Fifth and Fourteenth Amendments and the Equal Protection Clause in the Fourteenth Amendment. Moreover, many of the farmers were probably worldly enough to anticipate that judges in the future would adapt the deliberately general language of those provisions to the circumstances of the future.

Some of Judge Bork's critics argued that his originalism was a facade for a very conservative point of view and some of his statements appeared to bear out these concerns. For example, he criticised Supreme Court decisions barring sterilisation of convicted burglars, prohibiting poll taxes and preventing court enforcement of racially restrictive covenants in real estate deeds.

Many Americans were troubled by Judge Bork's apparently chilly view that the Constitution should be interpreted by the courts in an intellectually rigorous and morally disinterested fashion. Most Americans see themselves as members of some minorities and are apprehensive of the possible excesses of fluctuating majorities. The Constitution is their final guarantee against oppression and the Supreme Court is the special guardian of the Constitution. In a nation of wary minorities, Judge Bork's praise of majority rule and judicial restraint struck the wrong note.

With these views he accomplished the difficult task of temporarily recreating the liberal coalition that used to make the Democratic Party unbeatable. The middle class, a key but uneasy element in that coalition, is a very touchy minority on the subjects of birth control, abortion and privacy. Sometimes Judge Bork appeared contemptuous and deliberately provocative to these middle class sensibilities. The political decline of President Reagan and the way he connected his conservative agenda with the nomination made things much easier for Judge Bork's opponents.

Business law would be the main casualty of Judge Bork's defeat. Before Justice Powell improved the Supreme Court's understanding of business issues, Justice Douglas was the Court's leading business lawyer. He had practiced briefly on Wall Street and taught corporate law at Columbia and Yale. But, despite this background, he decided business cases reflexively, by invoking slogans instead of analysing the likely economic consequences of the court's business law rulings.

Judge Bork is even more sophisticated and interested in business and economic issues than Justice Powell. His book, *The Antitrust Paradox*, played a major role in redirecting US antitrust laws toward the promotion of consumer welfare.

Judge Bork's apparent defeat is a loss to business law and, in general, to intellectuality in the Supreme Court. The intellectuals who oppose him are, unintentionally, making a telling case against nominating intellectual lawyers for the Supreme Court.

*The authors are partners in the law firm Mayer, Brown & Platt.*

THE MERCEDES-BENZ T SERIES: 200T, 230TE, 300TE and 250TD.

# Mercedes-Benz prove it once again. An estate doesn't have to be ugly and boring.

You may choose a Mercedes-Benz estate for practical reasons but you'll soon come to think of it as an inspired choice. No other estate car is so admired. Then again, no other estate car is engineered like a Mercedes-Benz.

The T-series didn't start life as a saloon car stretched to accommodate extra loads. It started life as an estate car, purpose designed. And functional though it is, it's one of the most elegant cars in production today.

Clean-cut, sleek looks add significantly to its slipperiness, evidenced by a drag coefficient of just 0.34. An impressive figure when you consider the priority Mercedes-Benz put on the practical nature of an estate car. Other innovative technical achievements are equally significant.

Under the bonnet of the 300TE lies a powerful engine featuring microprocessor controlled ignition and electro/mechanical fuel injection. The single overhead cam, straight six delivers 188 bhp from its 3 litres and the four-speed automatic box has both sport and economy settings.

The performance, as a result of all this meticulous technical nurturing, is remarkable. Without any undue stress, to either engine or driver, the 300TE can gracefully exceed 130 mph. Should you wish to pass 60 mph in the shortest possible time it will take less than 9 seconds (manufacturer's figures).

The much sought after 200T and 230TE share the same aerodynamic good looks but have very efficient 2 litre and 2.3 litre, four cylinder engines, respectively. The 250TD has an even more economical 2.5 litre, five cylinder, diesel engine. To prove the point, official figures for the 250TD, 5-speed manual are 29.7 mpg in the simulated urban cycle, 48.7 mpg at a constant 56 mph and 36.2 mpg at a constant 75 mph. Yet the diesel is capable of over 100 mph (manufacturer's figure).

As you'd expect from a Mercedes-Benz the roadholding is very sure-footed. On all T-series the multi-link rear suspension system incorporates a self-levelling device, so irrespective of the load carried and the road surface, they retain their composure.

The wide-opening tailgate glides up and down on two gas-filled struts. It even has its own electric motor to pull it firmly shut. The exceptional load space has a flat floor, is clear of any obstructions and can be progressively enlarged to accommodate bigger loads.

Not only is there plenty of room for unusually long and awkward shapes but plenty of ways to fit them in. The rear seat can be divided and the front passenger seat folds back to give five different load space combinations.

Besides loads of room there are loads of seats. An optional, rear-facing, retractable row of seats suitable for two children, increases to seven the number of people a T-series can carry in comfort.

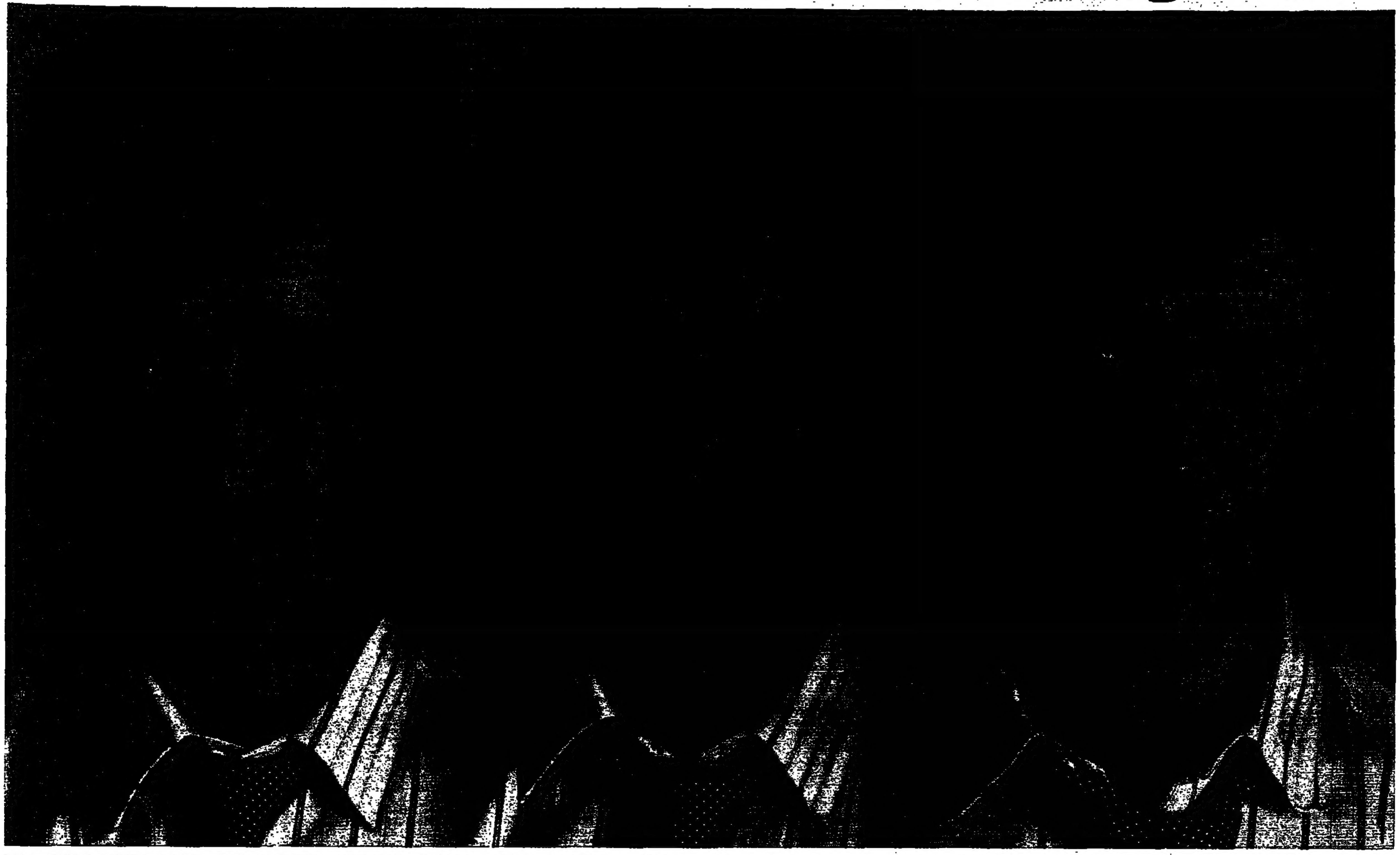
"Performance Car," who recently tested a 300TE against its two main competitors, called it "Superbly engineered and executed with a degree of attention to detail that neither of the others can match."

All this adds up to the T-series being not just a practical car but a desirable object, to boot.

Engineered like no other car in the world.

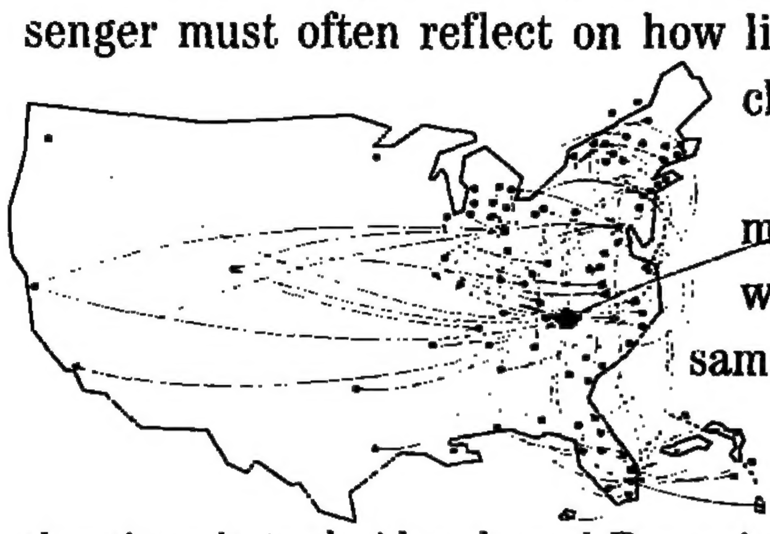
RJ4 165 FT

# *How long was your last seven hour flight?*



The first non-stop transatlantic flight took more than sixteen hours.

Today's long-suffering transatlantic passenger must often reflect on how little times change.



True, a modern jet will do the same journey in less than half the time it took Alcock and Brown's famous Vickers Vimy.

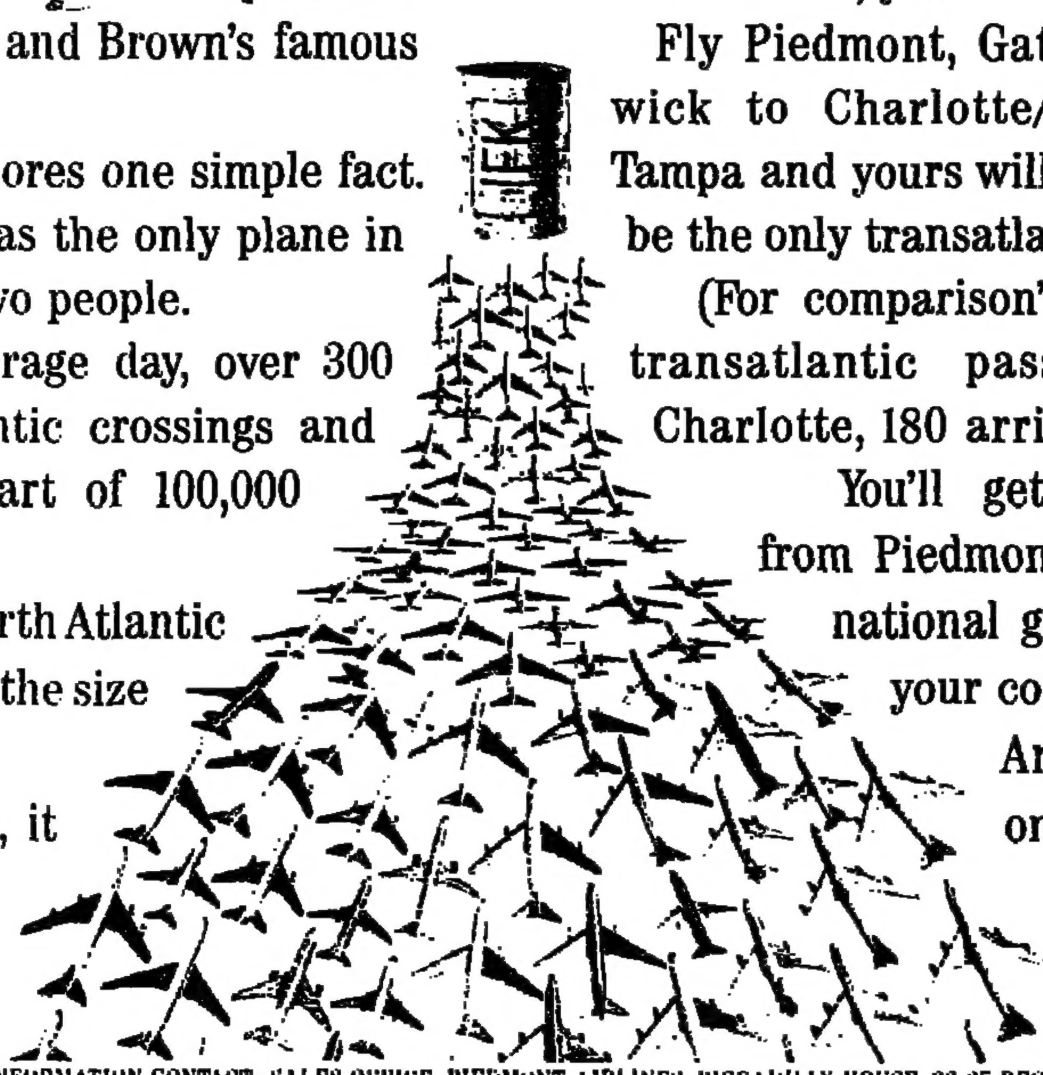
But that rather ignores one simple fact.

In 1919, the Vimy was the only plane in the air and it carried two people.

In 1987, on an average day, over 300 planes make transatlantic crossings and they carry the best part of 100,000 people.

The sky over the North Atlantic has a mobile population the size of Exeter.

And when it lands, it becomes less mobile by the minute.




Praise be, then, and thank Piedmont for Charlotte.

Charlotte, North Carolina, the recently approved final gateway on the eastern seaboard.

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Promises?

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As for Piedmont, it's the fastest growing major airline in America.

To give you some idea just how fast, its route network has increased tenfold in as many years, which makes it the biggest carrier east of the Mississippi.

Its Ops Division has come to handle 1,200 daily flights to more than 110 destinations in the States and Canada.

Piedmont now has the biggest fleet of 737s in the world and, in terms of passengers carried (24 million against 18 million) it's bigger than the world's favourite airline.

No, Piedmont isn't exactly a household name in the UK as yet.

But, rather like flying the Atlantic, it's only a matter of time.

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هكذا منذ الاصل

## UK NEWS

# Building prices in south outpace rest of Britain

BY ANDREW TAYLOR

PRICES CHARGED by building contractors in the private construction market of south-east England, West Europe's busiest, are rising five times faster than in the rest of the UK.

Figures published by the Building Cost Information Service of the Royal Institution of Chartered Surveyors show that construction tender prices rose by 20 per cent in the south-east in the two years to this March. Prices rose just 4 per cent elsewhere in the country over the same period.

The figures also show this gap to have widened. Building prices in the region, for example, rose by 15 per cent in the 12 months to March 1987, compared with an increase of just 5 per cent in the preceding 12 months.

The institution's survey covered tender prices accepted from contractors for some 150 sorts of building. It defined the south-east as the area enclosed by the counties of Norfolk, Cambridgeshire, Bedfordshire, Buckinghamshire, Oxfordshire, Wiltshire, Avon and Hampshire.

Construction orders in the south east have risen due to a massive increase in office building, particularly in the City of London, which accompanied the Big Bang deregulation of the securities markets a year ago.

Demand for out of town shopping centres, encouraged by the completion of London's M25 orbital motorway, have also boosted construction orders in the south-east, as has a surge in private housebuilding during the past 18 months. Private housing starts in England and Wales this year are expected to reach a 15-year high.

The pace of new building is such that many contractors in the south-east fear the market may overheat. Skilled building workers remain in short supply following the decline in construction activity in the second half of the 1970s and the early 1980s.

A number of workers have been brought in from other regions where the construction recovery has been more limited.

Contractors also report that construction specialists from the Irish Republic, where the building market is depressed, have established representative offices in London and the south-east in a bid to take advantage of the upsurge in construction work.

The pace seems unlikely soon to slacken. Major projects already under way or planned in the south-east include: the Channel tunnel, a crossing of the river Thames at Dartford, the completion of a large new international teminal at London's third airport at Stansted in Essex, the Canary Wharf office development in London's docklands, together with further planned City and docklands developments.

# Magazine trade criticises Post

BY DAVID THOMAS

THE PERIODICAL Publishers Association, the trade association for the UK magazine industry, is studying ways of switching the distribution of magazines to private carriers because of dissatisfaction with the service offered by the Post Office.

A broad move by magazine publishers to alternative forms of distribution would be a severe blow to the Post Office, which has largely escaped the type of controversy over quality of service which has recently hit British Telecom.

News of the association's dissatisfaction comes on the eve of the publication of a survey by the Mail Users' Association, representing large business mail users, which is also likely to cast doubt on Post Office's claims about quality of service.

The Periodical Publishers Association carries out regular surveys on quality of service jointly with the Post Office.

These surveys are confidential but are understood to show that well below 70 per cent of first class mail gets to its destination the day after posting. The Post Office has a 90 per cent target for first class mail and said the figure was 88.4 per cent in the last quarter.

The magazine industry is also concerned about a new Post Office scheme, called Mailsort, which it claims will lead to its members pre-sorting more mail without receiving an extra discount.

However, the Post Office said yesterday that it intended to talk to the association about extra rebates under the scheme.

# Benefit claimants face new test

BY CHARLES LEADBEATER, LABOUR STAFF

THE GOVERNMENT is almost certain to begin periodically to test the availability of unemployed people for work as a condition of their receiving unemployment benefit. It is part of a plan to merge Job Centres and unemployment benefit offices.

Senior officials at the Department of Employment believe, however, it may take up to four years to complete the merger, which will be the most sweeping change to the public employment service since 1973.

The plan to merge the services, a largely unnoticed part of the Conservative's election manifesto, will have far-reaching consequences for the treatment of the unemployed, officials said.

Control of the Job Centres will be transferred from the Manpower Services Commission to the Department of Employment on October 26. The Government's benefit payment and job placement services were separated gradually in the 1970s, after the opening of the first Job Centre in 1973. The Job Centres last year accepted 2.4m vacancies from employers and placed 1.9m people in work, of whom 1.6m were unemployed.

The Restart counselling programme for the long-term unemployed already includes tests of availability for work, including questions on willingness to travel.

# Ministers in row over successor to Tebbit

BY JOHN HUNT

MRS MARGARET THATCHER, the British Prime Minister, faces a dispute within her Cabinet over the choice of the next Conservative Party chairman. Mr Norman Tebbit, the present chairman, is expected to stand down soon.

The choice lies with Mrs Thatcher, who wants Lord Young, the Trade and Industry Secretary, to have the job. She believes he is the right man to reorganise the party's central organisation, which came in for some criticism this year for its handling of the general election campaign.

Lord Young has indicated that he is willing to take the job, but only if he continues at the Department of Trade and Industry,where he is leading the Goverment's campaign for the revival of the inner cities.

Some senior ministers, however, are strongly opposed to his holding the two jobs. They argue that it would be impossible for one man to carry the burden of two such major areas of responsibility.

They also point out that there could be a strong conflict of interest. As party chairman, Lord Young's responsibilities would include soliciting party funds, much of which comes from industry. At the same time his departmental responsibilities would involve him in decisions affecting companies.

The dispute simmered last night after Mrs Thatcher left London to attend the Commonwealth Heads of Government meeting in Canada. Mr Norman Fowler, the Employment Secretary, entered the dispute on the side of Lord Young. He let it be known that he was not opposed to his candidature and that his position at trade and industry would not debar him from holding the chairmanship at the same time.

Mr Fowler was angered at one report suggesting he was against Lord Young. Mr Fowler apparently believes Lord Young would be a sensible and good choice for the job.

The arguments against Lord Young's appointment are believed to have been put to Mrs Thatcher by Viscount Whitelaw, her deputy and leader of the House of Lords, and Mr John Wakeham, leader of the House of Commons.

# Reply due over lawsuits for rule book breaches

BY CLIVE WOLMAN

LORD YOUNG, Trade and Industry Secretary, will this week reply to lobbying by City institutions for postponement of introduction of section 62 of the Financial Services Act until at least April 1989. The section lets investors sue a company if they have lost money by its breach of its self-regulating organisation's rule book.

He is thought to be impressed by the institutions' argument that financial service companies and the self-regulating organisations should be given time to adjust to and refine the complex, lengthy rule books all must follow from next April, before the rule books are legally backed by section 62.

The lobbyists are led by Mr Andrew Large, head of The Securities Association, one of the five self-regulating organisations. They say section 62 would create a lawyers' paradise and they hope long delay in implementing it would lead to its abandonment.

The Consumers Association entered the debate at the weekend. It said that to deny small investors the right to reclaim money lost by a breach of a rule book would be wrong.

A year's delay would merely harden City resistance to the provision while disagreements would persist about the details of the rule books and how they should be refined or diluted.

The advocates of postponement are supported by Sir Kenneth Berrill, chairman of the Securities and Investments Board, which oversees the new regulatory regime.

He says investors, even without section 62, would be able to seek redress by the general law of agency or through the ombudsman schemes of the self-regulating organisations. Further, the board could bring legal action for them under section 61 of the act.

However, Ms Helena Viesner of the Consumers Association said the self-regulating organisations had made little if any progress in setting up ombudsman schemes, and, moreover, the board with limited resources would be likely to be highly selective in legal cases it was prepared to sponsor.

Clive Wolman reports on the latest dispute over planned financial regulations

# Banks and Lautro polarised over rule book

THE TSB banking group and other clearing banks, with the backing of the Office of Fair Trading and the Securities and Investments Board, have mounted a challenge to the "polarisation" section of the rule book of Lautro, the life assurance and unit trust self-regulating organisation under the Financial Services Act.

The controversial polarisation provisions in the Act and SIB rules will require branches of clearing banks either to sell their own unit trusts and life insurance, or to act as totally independent advisers. The provisions will ban them from doing both.

The provisions were criticised as "anti-competitive" by Sir Gordon Borrie, the Director-General of Fair Trading, in a report in March.

After the report the SIB agreed to allow staff in bank branches to sell the bank's "own-label" investment products but also to refer their customers, where appropriate, to a separate arm of the bank that could offer them independent investment advice.

However, the banks are now claiming that Lautro has been promoting the interests of the insurance companies that make up most of its membership at the expense of the banks by making the rules for referring bank customers much more restrictive than necessary.

For example, the SIB rules would allow a bank manager to sell to a customer wishing to invest, say, £30,000, a few of his bank's unit trusts - enough to absorb £15,000.

He could then suggest that the customer go to the bank's independent adviser for advice on where to invest the other £15,000.

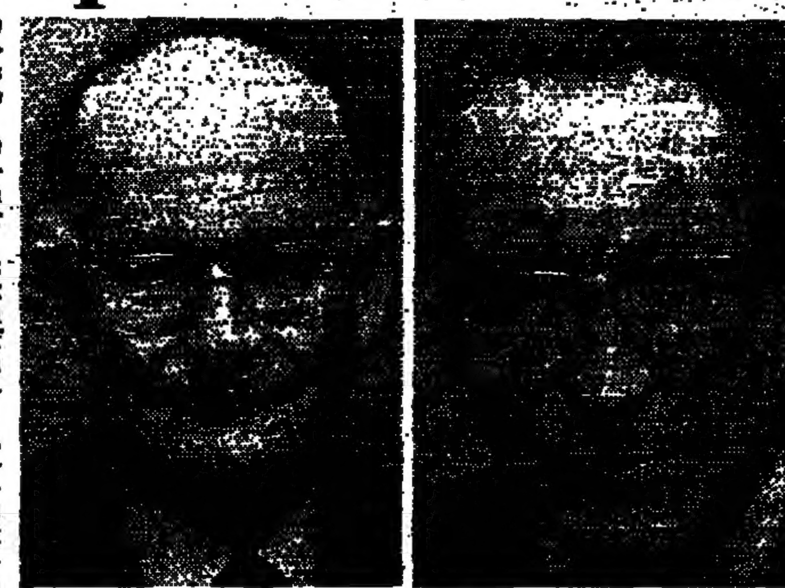
The banks say that Lautro's rules would require the bank manager either to turn him away or to sell him £30,000 of own-label products which would be to the customer's detriment.

If a customer comes into a bank branch and asks for on-the-spot advice on which life assurance policy to take out, the SIB rules would allow the bank staff to telephone the bank's independent advisory arm for an immediate recommendation and quotation.

Under the Lautro rules, the customer could probably be given no more than the address and telephone number of the advisory service and told to make contact himself.

The SIB is now putting pressure on Lautro to amend those rules so that they are no more restrictive than the SIB's. The SIB fears that otherwise Sir Gordon Borrie, who is required to vet all the SRO rule books before they take effect, will inevitably object to the Lautro rules.

A prolonged dispute would then hold up implementation of the Financial Services Act which, after several delays, has now been scheduled by the Government for April.



Sir Kenneth Berrill and Sir Gordon Borrie: backing the banks

The SIB is due to publish this week the final version of its rule book, which sets the standard of investor protection that the rule books of all the SROs must match.

Its original draft proposals have been subjected to several revisions and numerous further amendments are expected once the rule books of the SIB and SROs come into force next spring.

At present the SIB is examining the rule books of all five SROs to see whether they offer an equivalent standard of investor protection to that of the SIB rule book, as required by the Financial Services Act.

Mr Andrew Large, chairman of The Securities Association, recently challenged the SIB's approach arguing that it should not be necesssary for each individual rule to offer an equivalent standard but merely that the rule books as a whole should do so.

Sir Kenneth Berrill, SIB chairman, however, said on Thursday that the standard set by the SIB must be met section by section. The TSA rules on, for example, the custody of client money, he said, must match the standard of the SIB rules on the subject, which is one over which the two bodies have had strong disagreements.

The two other issues that have not yet been resolved between TSA and the SIB are rules covering the corporate finance departments of securities firms and investment banks and some of the details of the capital adequacy requirements.

The SIB remains uncertain as to how many financial service organisations will seek authorisation directly from it next year when the Act takes effect, rather than from one of the SROs. Most of the larger building societies, perhaps as many as 50, are likely to go directly to the SIB.

More worrying, however, is the possibility of applications being sent from several hundred or more small insurance brokers and other investment advisers. That would require the SIB to boost substantially its 90-strong staff.

At present, Fimbra, the SRO for the smaller firms, has so far authorised 2,800 firms and has applications pending from another 4,000.

In addition, another 7,000 application forms, which cost £25 each, have been sent out to investment firms and have not yet been returned.

# Ridley to seek ways of speeding poll tax

By John Hunt, Parliamentary Correspondent

WAYS of speeding the introduction of the community charge, the so-called poll tax, are to be examined after pressure at last week's Conservative Party Conference for earlier implementation, Mr Nicholas Ridley, Environment Secretary, confirmed yesterday.

Interviewed on London Weekend Television's Weekend World, he indicated that it might be possible to phase in the tax at different speeds in different areas.

In an area where there was not likely to be much difference between the community charge and the present local authority rate, it would be possible to make the change quickly.

"But if there was a very big change in their area perhaps more time would be highly desirable," he said.

It was put to Mr Ridley that in effect that would mean that the poll tax would be introduced more quickly than the original four-year phasing-in period, but that it would not be done uniformly throughout the country.

"I will be looking at the whole of the transitional period and get my colleagues to see what they think," he replied.

The Secretary of State denied that the collection of tax would lead to large numbers of "snoopers" and an infringement of civil liberties. "We don't intend to go into draconian methods of collection," he said.

He was pressed to say whether collection would involve access to Department of Health and Social Security records to track down evaders. Mr Ridley replied that it was not the Government's intention to ask for such powers at the "first stage" of introducing the community charge.

# Treasury denies BP offer has 'loophole'

BY JOHN HUNT

THE TREASURY last night described as "a bit of a nonsense" a claim by Mr Gordon Brown, a Labour economic spokesman, that a legal loophole would allow 200,000 wealthy investors to make double applications for BP shares.

Mr Brown has written to Mr Nigel Lawson, Chancellor of the Exchequer, urging him to prevent holders of personal equity plans (PEPs) from receiving two share allocations.

Mr Brown said that would cost the Treasury up to £100m in tax and profit losses.

He said it was simply not good enough for the Chancellor to turn a blind eye to the situation.

The PEP schemes were introduced to encourage small investors but Mr Brown maintains they have been taken over by wealthy shareholders who will stand to gain by multiple applications for the BP issue.

However, the Treasury says it is not true that the wealthy have taken over the schemes.

Discretionary PEPs are seen as analogous to unit trusts. Therefore it is possible for investors in them to make an application for BP shares on their own account and to receive an allocation through a discretionary PEP.

However, the Treasury points out that that is not the sudden discovery of a "loophole" by Mr Brown. It had always been made clear this was possible.

At the weekend Mr Norman Lamont, Financial Secretary to the Treasury, said he very much wanted PEP managers to apply for the issue.

# The food industry climbs on the branwagon

Feona McEwan looks at a report which chronicles a growth in the awareness of how to eat healthily

THE HEALTHY eating movement in Britain has reached a new level of influence, stiffening attitudes and changing habits across the nation.

More and more consumers appear to have heard the nutritionists' rallying cry and begun to adjust their diets. More people are eating healthier food, looking for fibre content, devouring wholemeal bread, and expressing a preference for additive-free products.

Far from being a transiant fad, the "branwagon," the preoccupation with natural, fresh and above all, healthy eating, appears to be gaining momentum.

Consumers are concerned these days with additives and with the purity of foodstuffs. The great additives debate includes issues like hormone contamination, Chernobyl green lamb and irradiation. The latest fads are calcium and zinc deficiency.

Those are some of the findings of a new report, The Branwagon's Further Progress, published today by D'Arcy Masius Benton & Bowles, the advertising agency. It is a follow-up to an initial survey conducted by the agency two years ago.

Much of the shift in eating habits is manufacturer-led, according to the report. Consumers who were previously apathetic to healthy eating are now confronted with low-fat crisps and convenience foods additive and preservative-free.

Some of the staples have taken a lead. Butter is emphasising its naturalness. Meat is veering towards leaner consumer-inspired cuts and convenience foods have developed newer, healthier versions.

The result is an awareness of healthy eating that has percolated into all social classes and age groups. At the same time, media saturation on the subject has served to confuse as well as inform consumers.

The new study confirms a strengthening of attitudes in favour of healthy eating. But the emphasis has changed.

Before, healthy eating was an issue that seemed to divide the nation, broadly according to social class, affluence and to an extent region, although that was by no means exclusive. Now, it appears, social class is far less a determinant than affluence. Poorer consumers show less interest in healthy eating.

As in the initial survey, three heavily health-conscious groups, called the New Healthers, have been identified. These, the Superfits, the Younger Concerneds and the Older Concerneds, account for 41 per cent of the population.

On the other side of the healthy eating divide sit The Removed group. They are apathetic on the subject and divided into Dismissers (13 per cent) and the Untouched (17 per cent). The former tend to be younger, poorer, from a lower social class and hostile to healthy eating. They avoid exercise, smoke and love tinned foods, fizzy drinks, instant snacks. The Untoucheds tend to be over 65, people whom the debate has passed by.

Perhaps the most important new group to emerge, suggests DMB&B, is The Middleground. They are health-conscious but pragmatic. They see healthy eating as a way to live rather than the way to live.

This category contains two groups, the Selectivists, (17 per cent) and Traditional Healthers (12 per cent). The latter are preoccupied by calls to naturalness, believers in good healthy food like egg/milk/butter and countryside varieties

The Superfits are the high priests of the post-jogging era, They take zinc with everything, additives with nothing and tend to be middle-class and to live in the affluent south

The study drew on a nationally representative sample of 11,000 housewives as well as group discussions with husbands and children of certain of the housewife categories

*Healthy Eating Study 11, The Branwagon's Further Progress, DMB&B, 2 St James's Square, London SW1Y 4JN.*

# Baker tops poll of Tory MPs

By John Hunt

MR KENNETH BAKER, the Education Secretary, is the clear front runner among Conservative MPs to succeed Mrs Thatcher, according to a Gallup poll for Granada TV's World in Action.

Of those Conservative MPs who expressed a firm preference, 31 per cent wanted Mr Baker as the next Tory leader.

# Just because you're small, it doesn't mean you can't be powerful.

**1. Mighty Mouse.**

If you thought this first section was going to be a regurgitation of that old chestnut about mice terrifying elephants, you can relax. As it happens, elephants do tend to be afraid that rodents might run up their trunks — but it is highly likely that the humble mouse once played a far more significant role in the history of the world.

Various theories have been put forward to explain why the dinosaurs died out 65 million years ago, such as: raids by hunters in flying saucers; a lack of room in Noah's Ark; a lemming-like mass suicide by all species everywhere at the same time; and even 'Paleoweltschmerz' (i.e. the dinosaurs became so disillusioned with their world that they died of sheer boredom).

*However, a somewhat more plausible reason for their extinction* is that small shrew-like mammals ate their eggs.

Being warm-blooded animals, the 'mice' were able to pursue a nocturnal way of life, whereas the cold-blooded dinosaurs, whose body temperatures depended on the outside environment, could not. The rodents could therefore have devoured their unguarded eggs with impunity, depleting their numbers until they died out completely.

**2. Tiny trots.**

There are many more examples of small but powerful creatures in the modern animal world. In relation to its size, an ordinary house spider can run eight times faster than Ben Johnson. A flea can jump 130 times its own height. An ant can pull a load 300 times its own weight.

Yet perhaps the most impressive example is that of the Falabella horse.

Derived by crossing Shetland ponies with small English Thoroughbreds, *Falabellas stand only 24 inches high. However, they* run so fast that, over a short distance, they can beat a full-sized racehorse. For their size, they can leap far higher than the leading showjumpers and they are also exceptionally hardy.

These qualities are shared to varying degrees by other miniature breeds. A Shetland has been known to carry a twelve-stone man for forty miles in one day, while a twelve-inch high golden foal recently survived falling down a steep fifteen-foot bank shortly after being born. (Why this foal should then have been called 'Lucky' is a mystery.)

**3. The lowest of the low.**

The twentieth century has certainly had its share of small and belligerent men — Hitler, Mussolini and Alan Ladd to name but three.

However, the person who has come the closest to being a twelve-inch ruler is Attila the Hun. He is thought to have been a dwarf.

Also known as 'the scourge of God', Attila was king of the Huns from 434 to 453. For a time he ruled jointly with his elder brother Bleda (who was *actually quite a big Bleda by comparison), but he* found this rather tiresome and he murdered him in 445.

His hordes then massacred, looted and burned their way across eastern Europe and finally assailed the Roman Empire. He was defeated once — in Gaul in 451 — but he promptly invaded northern Italy and occupied the imperial palace in Milan, where he had all the paintings altered to show the Roman emperor kneeling at his feet instead of vice versa.

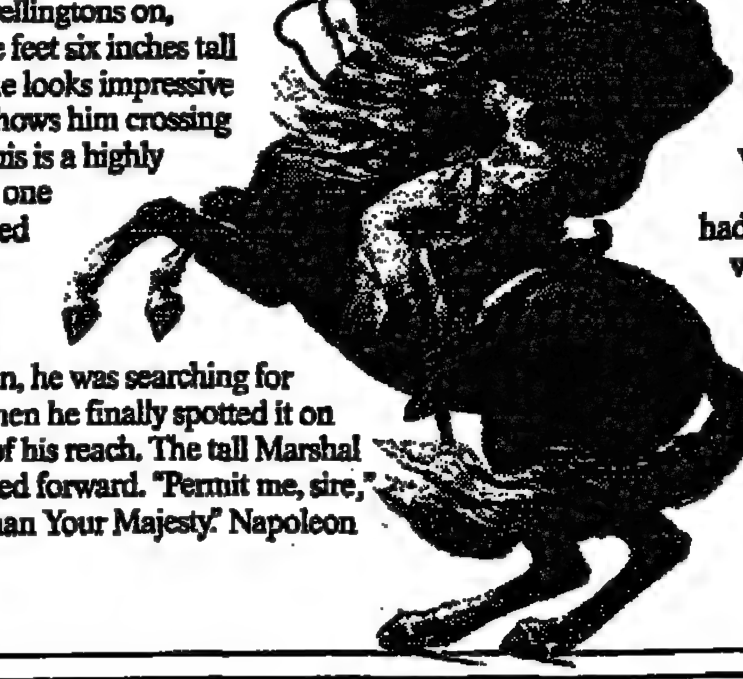
Attila died two years later while making love. It is possible that his diminutive stature contributed to his demise — but history unfortunately does not record whether or not he was standing on a box and fell off.

**4. Le petit caporal.**

No one had as great an effect on Europe again until Napoleon Bonaparte came to prominence at the end of the eighteenth century.

*In 1795, at the age of 25, he was in charge of the French army of* the interior. He then led the French forces in Italy to brilliant victories over the Austrians, became First Consul for life in 1802, set up what was effectively a military dictatorship and had himself crowned Emperor in 1804.

*In defeating the Austrians, incidentally, he also defeated the hero* of our first section. The Austrian generals became so desperate that they inked a mouse's feet and placed it on a map to see *if it would trace out a path to victory.* It didn't.



Yet without his wellingtons on, Napoleon was only five feet six inches tall himself. It is true that he looks impressive in our picture, which shows him crossing the Alps in 1800, but this is a highly idealized portrait. (For one thing, he actually crossed on a mule.)

He was certainly very sensitive about his height. On one occasion, he was searching for a book in his library when he finally spotted it on the top shelf, well out of his reach. The tall Marshal Moncey dutifully stepped forward. "Permit me, sire," he said. "I am higher than Your Majesty." Napoleon was not pleased. "No, Marshal, you are longer," he snapped.

Eventually, of course, Napoleon's reign came to an end, with one of the earliest stages in his downfall being the series of defeats suffered by his fleet at the hands of Lord Nelson — who was only five feet two. No wonder both men wore such large hats.

**5. We are not very big.**

Queen Victoria, sovereign of the United Kingdom from 1837 and Empress of India from 1876, constantly lamented the fact that she was less than five feet tall.

Strangely, her Uncle Leopold seemed to think that she had the power to rectify this if she wished. "I have not been able to ascertain whether you have grown taller lately", he wrote. "I must recommend it strongly".

Victoria did wield considerable political power, however. In 1839, she forced the Prime Minister, Sir Robert Peel, to resign and later dismissed the Foreign Secretary, Lord Palmerston, for committing the unforgivable sin of taking action without consulting her first.

Her close involvement with policy-making and her desire to have her own way sometimes overstepped the proper bounds of a constitutional monarchy, particularly when William Gladstone was Prime Minister. "Others but herself may submit to his democratic rule, but not the Queen," she wrote after yet another disagreement.

Yet when the longest reign in British history finally came to an end in 1901, the shortest monarch had restored both dignity and popularity to a crown whose future *had looked decidedly* precarious at the time of her accession.

"Will she be happy in heaven?" wondered a member of the royal household. "I don't know", replied Edward VII. "She will have to walk behind the angels — and she won't like that".

**6. Not short of words.**

Even Queen Victoria was taller than the eighteenth-century poet Alexander Pope. He was only four feet six inches tall as a result of tuberculosis of the bone and a severely-curved spine.

Despite these handicaps, he dominated the London literary scene for almost thirty years — partly on the strength of his sheer talent (his fame was assured at the age of 23 with his 'Essay on Criticism' (1711)), and partly through his stinging attacks on his contemporaries which earned him the nickname 'The Wicked Wasp of Twickenham'.

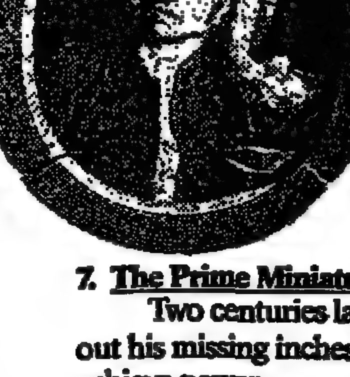
His verbal assault on Lord Hervey in the 'Epistle to Dr Arbuthnot' (1735) is a fine example:

"Yet let me flap this bug with gilded wings,
*This painted child of dirt, that stinks and stings...*"

He clearly relished the power that such scathing wit brought him:

"Yes, I am proud; and must be proud, to see
Men not afraid of God afraid of me".

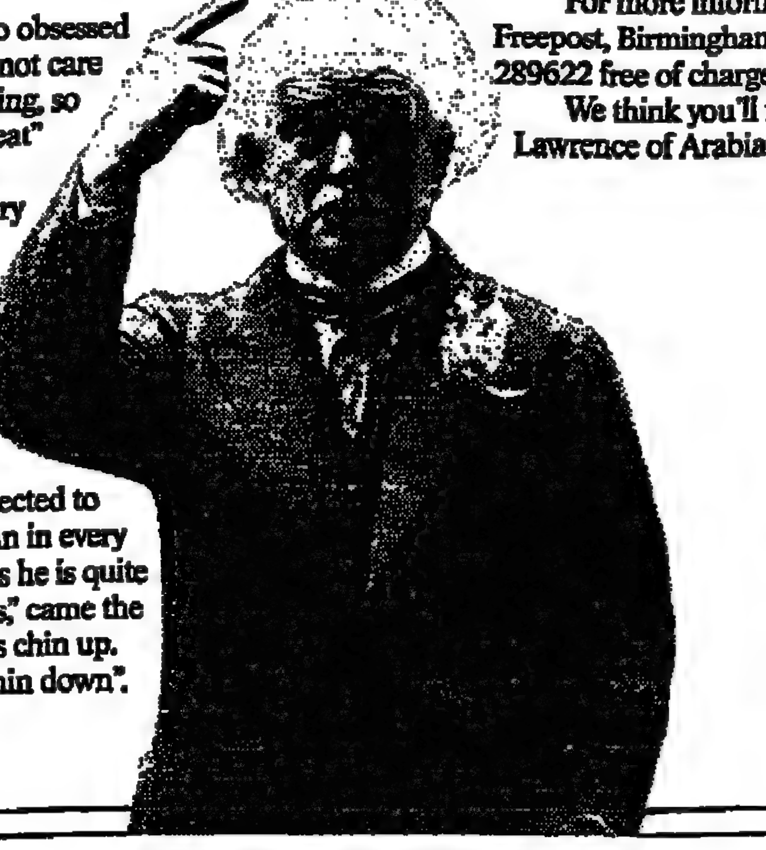
Another writer of the day, William Broome, did suggest that it was Pope's size that stopped many people from fighting back: "His littleness is his protection; no man shoots a wren." But others probably realised that the Wasp was at his most wicked when anyone attacked him, as illustrated by the following composition addressed to a lady who had dared to mock his size:



"You know where you did despise
(Tother day) my little Eyes,
Little Legs, and little Thighs,
And some things, of little Size,
You know where.
You, tis true, have fine black eyes,
Taper Legs and tempting Thighs,
Yet what more than all we prize
Is a Thing of little Size,
You know where".

**7. The Prime Miniature.**

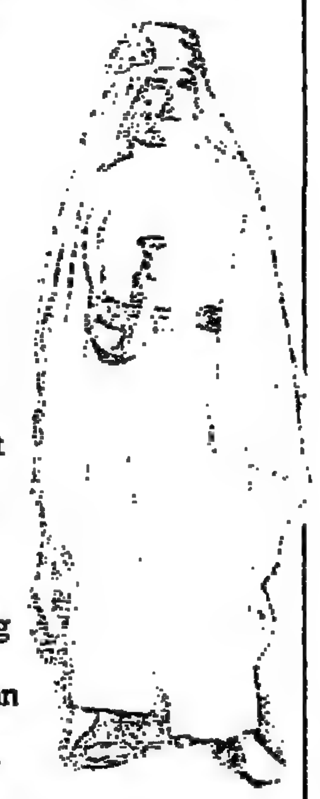
Two centuries later, David Lloyd George — seen here pointing out his missing inches — was using a similar sharpness with words to achieve power.



It has been argued that he was too obsessed with power for its own sake — "He did not care in which *direction the car was travelling,* so long as he remained in the driver's seat" (Lord Beaverbrook) — yet the facts remain that he led Britain to victory in the First World War and laid the foundations of the modern welfare state.

Like Pope, Lloyd George once had occasion to cut down someone who made a remark about his size. The chairman of a meeting introduced him thus: "I had expected to find Mr Lloyd George a big man in every sense, but you see for yourselves he is quite small in stature." "In North Wales," came the reply, "we measure a man from his chin up. You evidently measure from his chin down".

Margot Asquith said of him that "he could not see a belt without hitting below it". This was presumably because he could not see much higher.



**8. The pocket battleship of the desert.**

Another small Welshman also played a leading role in the Great War, namely T. E. Lawrence or 'Lawrence of Arabia.' (He actually measured less than five feet six inches, but this tends to be obscured by the fact that the tall Peter O'Toole played him in the David Lean film.)

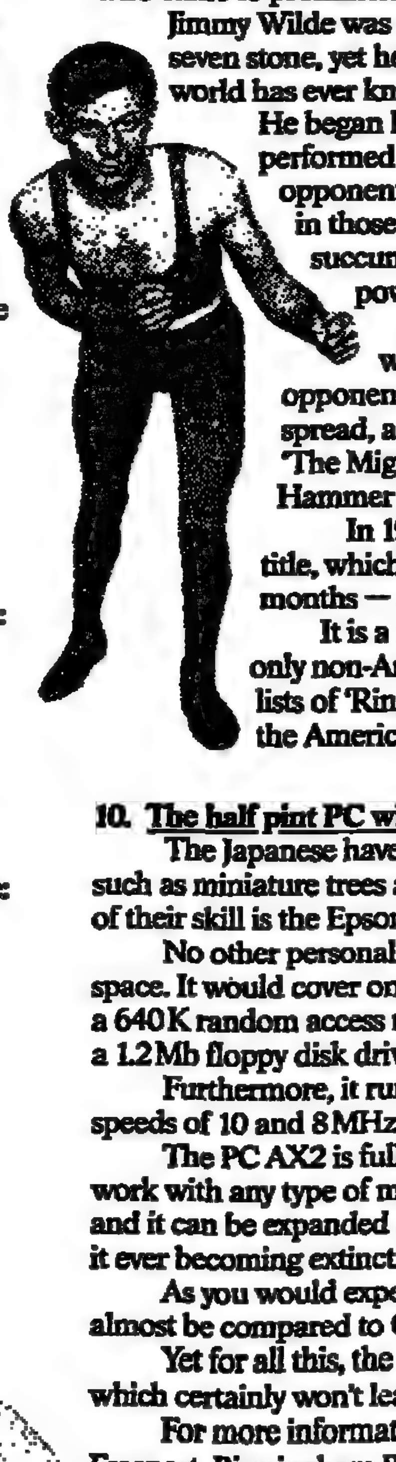
After joining the Arab army in 1916, the archaeological scholar soon became its chief organising and motivating force. He ran a guerrilla operation against the Turks, blowing up numerous bridges and trains, and in 1917 he captured Aqaba after a 600-mile march.

Further successful actions followed, and when Lawrence returned to Britain as a colonel in 1918, he was awarded the DSO and the Order of the Bath — though he declined both honours as a protest against the breaking of promises made to the Arabs. He then became a close friend and adviser of Winston Churchill, who described him as "one of the greatest beings of our time".

It should be noted, however, that Lawrence's character was full of contradictions — one of which was the need to subject himself to the power of others on occasions. For this reason, he went on to join the lowly ranks of the RAF and the Royal Tank Corps under assumed names — and also paid an admirer to whip him regularly on the buttocks.

**9. The Mighty Atom.**

Astonishingly, there was a third small but powerful Welshman who came to prominence at this time.



Jimmy Wilde was only five feet two inches tall and weighed just seven stone, yet he was one of the greatest fighters the boxing world has ever known.

He began his career in a fairground booth, where he once performed the incredible feat of knocking over 23 opponents within four hours. All 700 of his challengers in those early days were far heavier than him, but all succumbed to his phenomenal speed and punching power.

Even when he turned professional, Wilde was still conceding as much as two stone to his opponents — but he kept on flattening them. His fame spread, and soon he was known everywhere not only as 'The Mighty Atom', but also as 'The Ghost with the Hammer in his Hands.'

In 1916, at the age of 23, he won the world flyweight title, which he then retained for seven years and four months — a record unequalled to this day.

It is a further mark of Wilde's greatness that he is the only non-American to be rated No. 1 in the 'All-time Greats' lists of 'Ring' magazine — and in 1959 he was elected to the American Hall of Fame.

**10. The half pint PC with the ten-gallon memory.**

The Japanese have always been good at producing small things, such as miniature trees and Japanese children, and the latest example of their skill is the Epson PC AX2.

No other personal computer packs as much power into as small a space. It would cover only about two-thirds of this page — yet it boasts a 640K random access memory, 20 megabytes of hard disk storage and a 1.2Mb floppy disk drive.

Furthermore, it runs faster than a Falabella, with processing speeds of 10 and 8MHz.

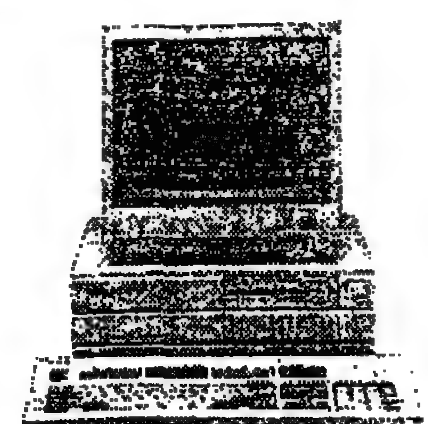
The PC AX2 is fully PC- and AT-compatible. It comes ready to work with any type of monitor and graphics software that you choose, and it can be expanded almost without limit — so there is no danger of it ever becoming extinct.

As you would expect of an Epson, it is so reliable that it could almost be compared to Queen Victoria for longevity.

Yet for all this, the PC AX2 costs only £1699 (RRP exc. VAT), which certainly won't leave you short.

For more information, either: write to Epson (U.K.) Limited, Freepost, Birmingham B37 5BR; call up Prestel *280#; or ring 0800 289622 free of charge.

We think you'll find that the PC AX2 can't be beaten — unlike Lawrence of Arabia, of course...



EPSON

# City economists underline bright tax cut prospects

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRIGHTENING prospects for sizeable tax cuts and a further reduction in the Government's borrowing target are underlined today in analyses published by City economists.

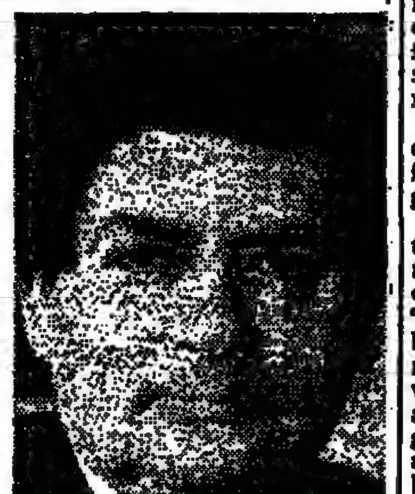
The studies suggest that the £2bn to £3bn increase in next year's target for public spending, expected in next month's Autumn Statement, will do little to limit the scope for a "giveaway" yet "prudent" Budget next March.

That optimism is mirrored in Whitehall, where the strength of tax receipts has persuaded the Treasury that it has significantly underestimated the likely size of government revenues for the second consecutive year.

It is widely expected within the Treasury that Mr Nigel Lawson, the Chancellor, will opt to cut both basic and higher rates of tax. Whitehall economists, however, are already seeking to limit the size of the prospective "giveaway" by suggesting that most of any overshoot in revenues should be used to cut the public-sector borrowing requirement target.

Today's City studies suggest that the PSBR for the current financial year will be well below the £4bn target suggested in March. Mr Simon Briscoe, an economist at Greenwell Montagu Research, argues that on current revenue trends the PSBR may show a small surplus for the first time for nearly 20 years.

He says government revenues from income tax, the North Sea, corporation tax and value-added tax will all show a significant overshoot on the Treasury's last published forecasts in the Budget. The buoyant revenues reflect rapid economic growth, a higher-than-expected oil price and strong company profits.



Nigel Lawson: scope for a "giveaway" Budget next spring.

Mr Peter Spencer, an economist at Credit Suisse First Boston, predicts that even after increasing the spending totals next month, Mr Lawson will have at least £5bn to divide between tax and borrowing reductions in the Budget. On that basis he could afford £1bn in tax cuts while setting a PSBR target of zero for 1988-89.

The US securities house Goldman Sachs forecasts that some of the additional revenue will be absorbed by further overruns in public spending - despite next months's expected increase in the Treasury's 1988-89 target.

Mr Gavyn Davies, its senior UK economist, nevertheless expects the Chancellor to be able to combine a £1bn reduction in taxation with a cut in next year's borrowing target from £4bn to £3¼bn. Limiting tax cuts to £1bn would be "entirely justified" by the need to prevent further deterioration in Britain's trade position next year, he says.

# Broker optimistic over trade balance

By Alan Pike

THE UK MAY be underestimating the strength of its balance-of-payments position by about £2bn a year, Philips & Drew, the stockbroker, suggests in an economic briefing paper today.

That would mean that a forecast current-account deficit of £1.5bn this year in fact disguised a surplus.

Philips & Drew acknowledges that the UK's current account of the balance of payments will continue to deteriorate and that "the pressure on sterling from balance-of-payments fundamentals will still be downwards." But it believes the actual position may be better than is generally believed, because of an underestimate of net invisible earnings.

"Invisibles statistics are not based on timely information and are subject to considerable uncertainty," the stockbroker said.

Under-recording of net invisible earnings throughout the world probably amounted to around $50bn. Within world invisible earnings, the largest and most rapidly rising discrepancy had been in portfolio income.

The UK was not immune to universal statistical problems arising from the shift in the composition of international credit from bank finance to securitised lending.

That, allied to the discrepancy between the current and capital accounts of the UK balance of payments, suggested that UK invisible earnings had been understated during the 1980s.

In principle the capital and current accounts should equal each other with the capital account representing the financing of current-account transactions. But in practice the difference between the two - the balancing item - has risen from almost nothing in 1980 to nearly £12bn last year.

Charles Leadbeater on why benefits and vacancies are to be dealt with at the same place

# Regrouping aims to revitalise JobCentres

THE OPENING of the first high street JobCentre, in Reading, Berkshire, in 1973, marked the most important modernisation of the government's employment service since the Second World War.

It was not just that the centres were to have a modern, bright retailing image to attract job seekers and employers with vacancies. The dusty, backstreet labour exchanges were to be replaced with a more dynamic method of finding work for the unemployed.

Job seekers would in future claim their unemployment benefit from one office and look for jobs in another. The separation of the two activities was meant to enhance unemployed people's chances of finding work by breaking the link between job search and the depressing culture of unemployment associated with benefit offices.

At the end of this month, however, the Government will come close to admitting that it believes that separation, far from helping job seekers, actually increased unemployment.

**The first goal will be to integrate the management functions of the separate services**

On October 26, responsibility for managing the JobCentres will pass from the Manpower Services Commission (MSC) to the Department of Employment, headed by Mr Norman Fowler, the Secretary of State.

The department will then set about undoing the changes, started in 1973, by re-establishing a unified employment service, which will control both the payment of unemployment benefit and the advertisement of vacancies.

The Government argues that the change will mean that more unemployed people will search for jobs more actively. Others such as the National Council for Voluntary Organisations, believe the change will cut registered unemployment only by allowing officials to enforce tighter restrictions on benefit claimants, in particular by testing whether claimants are available for work.

The reintegration involves more than 40,000 staff, 2,000 outlets and an overall budget of more than £500m. A senior management team, but as yet little else, is in place at the Department of Employment.

The first goal will be to integrate the management functions of the separate services. That will require two head offices, one in Sheffield and one in London, a revamped regional structure and significant pay rises for area and regional managers, who will in future cover both aspects of the new organisation.

Senior officials expect the physical changes to the character of buildings and the practice of "signing on" will take up to four years to achieve. One said: "It is essential to ensure that the actual services are disrupted as little as possible. Benefits must be paid, jobs must be advertised."

It seems likely that unemployment will be cut as a result of the changes. But how?

Professor Richard Layard, of the London School of Economics' Centre for Labour Economics, believes the separation of payment and placement pushed up unemployment.

It meant it was increasingly easy for people to become routine signers, to become less motivated job searchers and thereby drift into long-term unemployment.

However, other changes to signing on, instituted in 1982, may have had a much more dramatic effect than the physical separation of job centres and benefit offices.

The Government's drive to cut public spending and public-sector employment led it to drop the requirement that people

Norman Fowler: taking over responsibility for JobCentres.

should register for work before being able to claim benefit. The length of time between visits to sign on was extended from a week to a fortnight.

The change now planned may mean that the dispirited among the unemployed will be brought more into the swim of the labour market. However, if that should help to reduce unemployment it may be offset by the effects the changes will have on employers.

The MSC, in its response to the proposal, warned that the reintegration would mean that JobCentres would once again become associated with the unemployment benefit culture of long-term unemployment, rather than recruitment.

The JobCentres last year filled 1.9m vacancies, of which 1.6m went to unemployed people, but most were among the short-term unemployed. The reintegrated service will concentrate its efforts on finding ways into work for the long-term unemployed.

That redirection might lead employers to believe that the service has become a less effective means of recruiting skilled, motivated workers. Private-sector employment agencies, such as Reed, argue that the implication is that the government employment service should concentrate on the long-term unemployed, leaving the private sector to fill vacancies for the short-term unemployed.

Mr Paul Coveney, of the Unemployment Unit, believes that, even without privatisation, the changes will confirm the exclusion of the long-term unemployed rather than reintegrate them.

So it is unclear as yet whether, even in the long run, the reintegrated service will be more effective in bringing together job seekers and employers.

The managerial integration will allow a closer check that benefit claimaints are searching for jobs, just because the relevant pieces of paper will cross a single desk. However, it is almost certain that more direct methods of checking on availability to work will follow quite quickly.

Control of the JobCentres has been passed to the Department of Employment partly because ministers believed that the MSC was an obstacle to introducing such tests. It had consistently maintained that its staff should not be involved in policing benefits.

An extension of the Restart programme of counselling for the long-term unemployed would be too expensive. While officials believe the ideal would be to establish a system that ensures that unemployed people look at job and training opportunities before they claim benefit, they also recognise that it will take some time for that to be established.

They acknowledge, moreover, that such a system would not be cost-effective in areas of high unemployment.

Officials have indicated that it is likely that periodic, but systematic, tests of availability for work and job search activities will be introduced as a condition for receiving benefit. The Government may also introduce a limited form of their ideal model for either the newly unemployed or the long-term unemployed.

A series of pilot tests, in the 200 JobCentres that also handle benefit payments, will determine the most effective model.

The other main activity for the merged service will be to channel people on to special employment and training schemes run by the MSC. During this year's election campaign, the Goverment committed itself to three guarantees for the unemployed.

All 16 to 18-year-old school leavers are to be guaranteed a place on the Youth Training Scheme; all 18 to 25-year-olds unemployed for more than six to 12 months will be guaranteed a place on the Job Training Scheme, or in a Jobclub; and everyone unemployed for more than six months will be given a Restart interview at six-monthly intervals.

Ministers believe that only an integrated system, will ensure that such offers reach all the routine signers who who do not go near a JobCentre.

Critics believe, however, that two developments indicate that a less benign intention lies behind the change:

- The merged service will go into gear next year, about the time the Goverment plans to launch a revamped set of schemes for the long-term unemployed.
- This month, the Government will introduce legislation that will mean that the main state payment for unemployed 18-year-olds will only be available if they take up a place on the Youth Training Scheme.

The National Council for Voluntary Organisations believes that those two developments mean that the Government will have in place by the end of next year the machinery to implement so-called workfare programmes under which the unemployed will receive benefits only if they take part in work or training programmes.



# Computers help Co-op 'divi' make a comeback

BY DAVID CHURCHILL

THE CO-OP "divi" is making a comeback - more than a decade after it was phased out of most Co-operative retail stores - and its return might help to stimulate a revival of the Co-op's fortunes.

The Central Midlands Co-operative Society has become one of the first co-ops to bring back the dividend system, making use of new technology at the point of sale. Already the scheme is proving significantly more popular than Co-op chiefs had forecast and a number of other retail co-ops are watching the new scheme closely.

The "divi" was the cash payment system made to millions of shareholder-members to reward them for shopping in their local co-op. Customers paid a nominal amount to become a shareholder and quoted their membership number each time they bought goods from a co-op store. They then received a dividend calculated according to the value of purchases.

In the 1960s many societies found the system too costly and time-consuming and replaced it with trading stamps for all customers. Such stamp schemes fell out of favour when the supermarket chains launched a price war in the late 1970s.

Although some co-ops still give stamps - and a few small societies have even retained the "divi" system - the decision by Central Midlands, one of the largest societies, to bring back the "divi" is seen as a significant move for the Co-ops.

Central's scheme operates with the aid of new technology. Customers are given a plastic credit card that records purchases at the point of sale through the use of a small computer in the store. The "divi" - in cash - is then given to customers periodically.

Mr Gilbert Highet, chief executive of Central Midlands, says the "divi" has been brought back because of "the need to reawaken and revive a shareholding membership which, during the last two decades, has lost interest in the progress of the society."

When the scheme was launched on an experimental basis more than half of all households in the locality joined. Some seven out of every ten were new members.

# Peat Marwick in Fleet St pre-let

By Paul Cheeseright, Property Correspondent

PEAT MARWICK McLintock is pre-letting Salisbury Square House, a 114,000-sq ft redevelopment south of Fleet Street, London. Land Securities, the owner, said it would be ready for occupation at the end of 1989.

The pre-letting shows the ongoing strength of the central London office market and emphasises the growing popularity of the Fleet Street area.

# Company gains £1m backing

By Lucy Kellaway

LSL GROUP, a Luton-based biotechnology company, is to receive £1m in venture capital from the Charterhouse Venture Fund and Suez Gestion of France.

The company, which makes fermenters and freeze dryers, said the money would be used for research and development and would help it to market its products internationally.

# Renault trucks recovery plan 'ahead of target'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

RENAULT Truck Industries' recovery programme, inaugurated last September when there was some doubt whether the company had a future, is ahead of schedule. The concern, based in Dunstable, Bedfordshire, has entered "a new, exciting phase in its history," Mr Francis Cousin, managing director, said at the weekend.

RTI, the former Dodge Trucks company in which the state-owned French parent has invested more than £100m since taking over in 1981, was now trading profitably and in June had produced a net profit for the first time.

RTI, whose workforce has dropped from 4,200 to 1,250, has engaged 60 people for the assembly lines - the first additions to the direct workforce for many years. Recruitment was needed to increase truck output at Dunstable to 30 a day, a 40 per cent increase on January when daily production was 22 vehicles.

Mr Cousin said the Dunstable factory was expected to make more than 5,700 trucks this year, up from 4,800 in 1986, and next year should see at least 6,000 produced.

RTI claims its best-selling vehicles, the 50-series and the Commando models, have a 92 per cent and 95 per cent UK content respectively. This year the company will buy £80m of materials and components from 900 UK suppliers.

It says most big UK organisations accept trucks with Renault badges as "British" and that less than 10 per cent of customers now opt to have the Dodge name on their vehicles.

RTI's net loss last year reached £10.8m on a turnover of £846m compared with a loss of £7.6m on sales totalling £730m in 1985. That took the company's accumulated deficit to £30.75m.

Mr Cousin said RTI still had a long way to go but was on course to make a net profit in 1989, according to the recovery plan agreed last autumn.

He was speaking at the launch of three models, two of them developed by the Dunstable engineering centre, which employs 150 people and has a £3m annual budget.

The Renault 50 series, 3.5 to 7.5-tonne trucks, which account for nearly half Dunstable's production, has been extensively re-engineered and fitted with the new Perkins Phaser diesel engines. The UK engineers have also developed a new version of the 24-tonne G260 range, also built at Dunstable.

The third new vehicle type to be launched in the UK this week is the Midliner, to be sold in two versions: 7.5 tonnes gross weight and 13 tonnes. RTI claims the Midliner is the most powerful 7.5-tonner on sale in the UK.

Mr Bill Gilliham, director of commercial operations, said the change to the 50 series should lift sales from about 2,500 this year to 2,750 in 1988. RTI also expects to sell 500 Midliners imported from France, which would take total sales of imported Renault trucks from about 450 this year to 750.

# Record output and sales for Jaguar

By Our Motor Industry Correspondent

JAGUAR, THE luxury-car group, achieved record output and sales in the first nine months of this year, the company said yesterday. Output rose by 14 per cent, from 30,649 cars in January to September last year to 35,087.

Sales rose by 18 per cent, from 29,912 units to 35,319. That puts Jaguar on target to lift output from last year's record 41,437 to about 49,000 cars this year.

Output, boosted by demand for the new XJ6 saloon, is about to be raised to 1,250 cars a week, in line with Jaguar's expectation that production next year will reach 56,000.

The US, Jaguar's biggest single market, was the only one to show a decline in the first nine months, because the new XJ6 was not launched in that country until May.

Jaguar predicts that the shortfall will be more than made up in the final quarter and that US sales for the year will reach 25,500 units, or 1,000 more than last year.

UK sales in the nine months jumped by 62 per cent, to 9,315 units, while sales in continental European markets were up by 50 per cent, to 5,120 units. Sales to the rest of the world rose by 30 per cent.

David Thomas examines a follow-up survey to the Peacock report on broadcasting

# New views on the future of video networks

AN UNUSUAL example of long-term thinking about a vital British industry slipped out of the Department of Trade and Industry last week.

It was a vision of Britain's communications structure in the next century, the sort of grand-scale forward look that has become anathema to the ministry in recent years.

The report was prepared by PA Consulting Group for a steering group of industrialists and academics, appointed by the department in April to advise on the future of UK communications over the next two decades.

**'The Government is the most important player influencing development of the infrastructure'**

At issue is not just how existing services, such as telecommunications and television, should be delivered but also ways of encouraging entirely new services, such as high-definition television, video phones, video conferencing and video-based transactional systems such as home banking and shopping.

The impetus for the steering group came from a recommendation in last year's report on broadcasting, produced by a committee chaired by Professor Alan Peacock, which said that the telephone system operators British Telecom and Mercury Communications should be able to act as common carriers for a full range of telecommunications and information services, including television.

However, Peacock recommended that those common carriers should be prohibited from providing the cable television services or value-added telephone services carried over their networks. They should act just as highways for other people's services to travel along.

That is opposed to the alternative favoured by some people of encouraging a multiplicity of delivery channels, including telephone and cable television networks, satellite broadcasting and mobile communications.

Ministers were less than struck by the Peacock recommendation but they appointed the steering group to advise them on the many complex issues it raises.

Professor Alan Peacock: recommended BT and Mercury to be common carriers.

The PA report singles out many factors influencing the evolution of Britain's communications structure but hits on two that appear predominant.

The first is technological and concerns the evolution of optical-fibre transmission. Optical fibre could provide the technological underpinning to the common carrier concept because it allows the full range of information and entertainment services to be sent over one broadband cable.

However, the PA report says: "Although fibre-optic cable is already used in trunk transmission, it will be about 15 years before it becomes cheaper than conventional techniques in the local loop."

The second factor is political. The PA report says: "The Government is and will be the most important player influencing the development of the infrastructure, even if its aim is to reduce its long-term influence."

The weight of Government is felt most obviously in its regulatory decisions but also through fiscal, planning, environmental and competition policy.

To assess the options, PA has constructed three alternative projections which it emphasises are neither predictions nor proposals. The projections start from different assumptions about the role the Government could play:

**Light regulation.** Deregulation advances steadily in order to encourage many delivery systems but the Government maintains some controls to ensure fair competition.

*In practice, that would mean* full freedom for local cable television companies to carry telecommunications, a continuing ban on BT and Mercury carrying television over their main networks, a limited number of new telephone companies, two more direct broadcast satellite channels and the liberalisation of the supply of satellite receivers.

In effect, all the carriers either existing now or just over the horizon would be encouraged and none would be allowed to become dominant.

PA predicts that by 2010 that would result in full broadband systems in only 10 per cent of homes, those situated in cable franchise areas. Broadband carriage of sophisticated new services such as interactive video would be restricted to those homes and to key business centres.

The multiplicity of different media would not create economies of scale for British industry. In consequence, "the UK electronics industry would steadily decline in its ability to compete in world markets."

**Free market.** Deregulation is pursued much more rapidly. In particular, the constraints preventing BT and Mercury carrying television are removed.

The result, PA predicts, is that BT would emerge as a leading player in the delivery of entertainment as well as telecommunications.

By 2010, 20-30 per cent of homes and 30-50 per cent of businesses would be covered by the fibre-optic network. Prospects for UK manufacturing would be better than under the first projection, but there would be weaker competition in telecommunications.

**Government intervention.** Alternatively, the Government could intervene to encourage a nationwide broadband communications network.

That intervention could be achieved through regulatory and fiscal means, leaving the private sector to provide most of the cash. Competition could be preserved by having a patchwork of local broadband network franchises.

By 2010, 65-80 per cent of homes and 85-95 per cent of businesses could be connected to the fibre optic network. The huge investment would generate massive orders for the British electronics industry and would stimulate many new services.

The downside is just the size of the investment required, many billions of pounds over 20 years.

*Evolution of the UK Communications Infrastructure. Telecommunications Division, DTI, 66-74 Victoria Street, London SW1.*

# Haughey urges legal reforms in north

FINANCIAL TIMES REPORTER

IN A clear warning to Mrs Thatcher, Mr Charles Haughey, the Irish Prime Minister, yesterday pointed to the need for fundamental reform of the administration of justice in Northern Ireland.

Although he did not link the issues directly, it is now clear that an important change in the republic's extradition law is unlikely to be ratified on time because of disagreement between Dublin and London over reform of the north's justice system.

The Fianna Fail Government faces a December 1 deadline for a Dail vote that would ratify an extradition treaty between Great Britain and Ireland. It has been clear for some time that Dublin linked such ratification to demands for reform.

The Irish Government has urged that a three-judge court should replace the single-judge Diplock courts that currently try terrorist cases. The reform was opposed by Lord Hailsham, and by Lord Havers, the current Lord Chancellor, and now appears to have been rejected by Mrs Thatcher's Government.

At the weekend Republic commemoration in Bodenstown outside Dublin, Mr Haughey drew attention to the need for the Roman Catholic population of the north to have confidence in the judicial system there.

In his first public reference to the extradition issue he acknowledged that "many Irish people are questioning whether Dail Eireann [the Irish parliament] should agree to submit Irish citizens to a system of justice in which a large section of the community in the north has not as yet been persuaded to place its confidence."

With all the main opposition parties now urging a delay in ratifying the new extradition law, it now seems certain that the deadline will not be met, in spite of intensive diplomatic activity by officials attached to the Anglo-Irish secretariat, which administers the Hillsborough agreement.

The proposed treaty would allow for the extradition of suspects without the British authorities presenting prima facie evidence against suspects. It would also virtually do away with a defence of "political motivation" in terrorist cases.

● Speaking on Irish Radio over the weekend, Mr Norman Tebbit, Conservative Party chairman, said the Anglo-Irish agreement had suffered a setback with the failure of a Dublin court to extradite an Irish passport official charged with selling false passports from the Republic's London embassy. The court freed Mr Kevin McDonald when the prosecution failed to prove diplomatic immunity had been waived.

# Clothing retailers blamed for 'tarnished' image

BY ALICE RAWSTHORN

A LEADING figure in the British clothing manufacturing industry has criticised fashion retailers for being shortsighted in their dealings with manufacturers.

Mr Norman Sussman, president of the British Clothing Industry Association, blames retailers for the "tarnished image of the high street" and advocates the development of a closer working relationship with manufacturers.

At the annual conference of the Drapers Chamber of Trade in Swansea this weekend, Mr Sussman criticised clothing retailers for their inconsistent pricing policies and for holding too frequent discount sales.

The frequency of discount sales not only detracted from the consumers' perceptions of the high street, he said, but undermined the regular pattern of retail trade. Discount sales should be "genuine and seasonal," he said, thereby restoring stability to the high street.

Mr Sussman also criticised retailers for subjecting their manufacturing suppliers to "threats and penalties" (which included discounts) over delivery problems, and for late payment.

He called for the development of closer rapport between manufacturers and retailers thereby enabling both sections of the clothing industry to work together on research, investment and development programmes for their joint benefit.

The BCIA is considering the introduction of a "market matcher" system, which would provide a computer-controlled database to monitor retailers' requirements.

# APPOINTMENTS



## British Aerospace directors

Four new directors have been created in the BRITISH AEROSPACE military aircraft division: **Mr John O'Sullivan** becomes personnel and resources director. **Mr Chris West** becomes director and general manager - Weybridge, Kingston and Dunsfold, and a member of the divisional management committee. **Mr Alan Millican** becomes director personnel and resources - Weybridge, Kingston and Dunsfold. **Mr Mike Turner** has been made director marketing and product support, succeeding **Mr Alan Keys** who has retired.

*

**Mr Maurice Hawes** has been appointed group finance director of WICKENS BUILDING GROUP.

*

**Mr Michael Knapp**, managing director of Dairy Crest Foods, has been appointed deputy chief executive of DAIRY CREST.

*

**Mr Hayes Miller** has been appointed a director of MATHESON INVESTMENT MANAGEMENT, part of the Jardine Matheson group. He will remain head of the research department.

*

**Mr Ernest Zeida** has been appointed financial director of WINCANTON DISTRIBUTION SERVICES from November 1. He is financial controller.

*

**Mr Russell Paton** has been appointed director and chief executive of BLENHEIM TRAVEL, a wholly-owned subsidiary of Grampian Television, from October 19. He was general manager of sales and marketing at A.T. Mays.

*

**Mr John Poland** has retired as chairman of AJAX INSURANCE HOLDINGS. He is succeeded by the **Earl of March**. The Earl is chairman of the Goodwood Group.

*

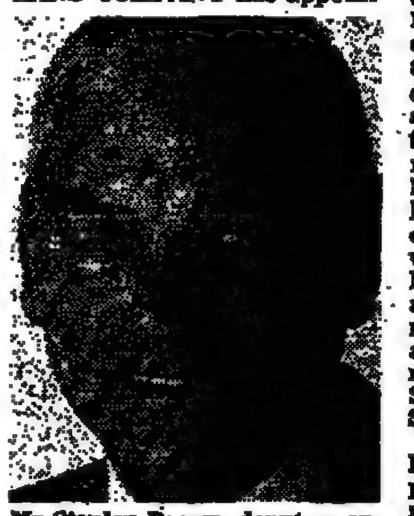
**Mr Mike Goodbun, Mr Guy Meredith**, and **Mr Colin J. Wooler** have been appointed directors of NATIONAL WESTMINSTER INSURANCE SERVICES, broking subsidiary of National Westminster Bank, from October 1. Mr Goodbun becomes director, planning and development, Mr Meredith will be director of the personal division, succeeding **Mr Alan Chambers**, who has been appointed assistant managing director, and Mr Wooler continues to head the marketing department.

*

**Mr Pat Donoghue** has been appointed managing director of HOLSTEN DISTRIBUTORS. He succeeds **Mr Alan Bridgett**, who remains on the board as deputy chairman. Mr Donoghue was with Grand Metropolitan.

*

LADBROKE CITY & COUNTY LAND COMPANY has appointed **Mr Stanley Brown** as deputy managing director. He was development director.



**Mr Stanley Brown, deputy managing director of Ladbroke City and County Land.**

*

English and American Insurance Group has appointed the following directors of the group's newly formed systems and marketing principal operating subsidiary, TOWER HILL SERVICES: **Mr R.L. Barclay, Mr I.G. Daish, Mr K.J. Earthrowl** and **Mr J.P. Watson**.

*

**Mr George Docker** has become managing director of PAULIG, the new UK subsidiary of Finnish food and beverages giant Oy Gustav Paulig. **Mr Mark Merrill** has been made finance director.

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**Mr Robert C. Tomkinson** has been appointed non-executive director of LLOYD THOMPSON GROUP.

*

To facilitate the international expansion of Shandwick, the following appointments have been made to the board of SHANDWICK CONSULTING GROUP, the UK consultancy division: **Mr Richard Sermon** has been appointed managing director in succession to **Mr Peter Gummer** who will continue as chairman. **Mrs Mary Bartholomew** becomes deputy managing director. **Mr Michael Fairchild, Mr Nigel Henson, Mr Basil Towers, Mr Colin Trusler** and **Mr Peter Waller** have been appointed directors. **Mr Leslie Bishop** is stepping down from the board to become first creative director of two subsidiary companies, Leslie Bishop Co and Media Relations. **Mr Alan Mole**, who will continue as chairman of Shandwick Communications, will leave the board to enable him to assist in the overseas development of the group. Mr Sermon and Mrs Bartholomew will remain respectively chairman of Shandwick Consultants and Shandwick PR.

*

**Mr Michael Pitt** has been appointed corporate developments director of BEMROSE CORPORATION.

*

**Mr Paul Bennett** has been appointed a director of HOWARD TILLY ASSOCIATES.

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HESTAIR KIDDICRAFT has appointed **Mr Andrew Plummer** as financial director. He joins from Inmos.

*

**Mr Peter Pugsley**, who rejoined GREEN SHIELD TRADING STAMP CO as a director to help relaunch the concept, has been appointed managing director.

*

**Mr D.C.R. Graham** has been appointed finance director of the BEN LINE GROUP. He was group chief accountant and company secretary. **Mr N.M. Forster** has been appointed a non-executive director. **Mr M.J. Pretty** has become secretary.

*

MOUNTLEIGH GROUP has appointed **Mr Nigel J. Wright** to its board. He joins from Phillips & Drew Corporate Finance.

*

TOBACCO DOCK DEVELOPMENTS has appointed **Mr Adrian Tidman** as director of operations to head the operational management team for its leisure shopping village which is expected to open in June 1988.

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**Mr George Hilton**, a main board director of TOOTAL GROUP, has been appointed director, China operations. He will be based in Hong Kong. Within the central executive **Mr James Harrison** will assume overall responsibility for the group's global industrial thread activities; he will be transferring certain of his current responsibilities to **Mr Anthony Habgood** and **Mr Geoffrey Maddrell**.

**Mr George Hilton, director China operations, Tootal Group.**

*

**Mr Henk van Aardeene** has been appointed to the new post of commercial manager, BP DETERGENTS of Pumpherston, near Edinburgh.

*

RUSH & TOMPKINS has created five local directors: **Mr Peter Brynes, Mr David Evans, Mr Andrew Murray, Mr Mike Geffin** and **Mr Warwick Wallace**.

*

RADIO CITY, Liverpool, has appointed to the board **Mr Martin J.P. Cooke**, a partner in stockbrokers Rensburg, and **Mr Jonathan H.H. Mounsey**, taxation partner with Pannell Kerr Forster.

*

BASS has appointed **Mr K. Richards** as chairman of HORIZON TRAVEL in succession to **Mr B.W. Tanner**, who has retired. He is a member of the Bass board and chairman of Bass subsidiaries Britvic Corona, Bass & Tennent Sales and Augustus Barnett.

*

PLAN INVEST GROUP has appointed **Mr Frank S. Lawson** and **Mr Kevin R. Bright** as directors. Mr Lawson is managing director of subsidiary Plan Insure. Mr Bright, who has been with the group since 1979, becomes investment director.

*

DERITEND STAMPING has appointed **Mr Ian Walsh** and **Mr David Walden** as joint managing directors of the electrical division with responsibility for the northern and southern areas respectively. Mr Walsh was director and general manager, Deritend Electrical Services, Birmingham. Mr Walden was managing director, D.W. Rewinds & E.I., Barnet.

## British Airways leisure post

BRITISH AIRWAYS has appointed **Mr Mike Beaumont**, head of world sales, to the new post of managing director leisure division. Other members of the leisure strategy board will be **Mr Jim Harris** (director of marketing) as chairman, with **Mr Vic Fatah**, managing director of the new BA/Sunmed Holidays company, and **Mr Eamonn Mullaney**, managing director, British Airtours.

*

WPP GROUP has appointed **Mr Martyn Roberts** as group tax director. He joins from Saatchi & Saatchi where he was group tax manager. **Mr Doug Cheesman** will join the group in New York, where he will be responsible for merger and acquisition activities and institutional investor relationships in the US. He was with the General Electric Investment Corporation, where he was responsible for its private placement portfolio.

*

PNA has appointed **Mr Roy Bennett**, formerly associate director of St James's Corporate Communications, to head its client liaison department.

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**Mr David Alexander** has been appointed sales director of SPILLERS FOODS, a Dalgety company. He was general sales manager at Carnation Petfoods.

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CHARTERHOUSE TILNEY has appointed **Mr Timothy Stokeld** a director.

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**Mr E.F. Gittes**, previously executive chairman, has become non-executive chairman of EUROPEAN HOME PRODUCTS. **Mr D.T. Ash**, group managing director, becomes chief executive. **Mr L.R. Dingle** is made deputy chief executive. He will continue to be responsible for finance.

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**Mr Malcolm Cotton** has been appointed managing director of international operations for C. & J. CLARK. He will be responsible for C. & J. Clark Inc., in the US; Southlands, holding company for Australia and New Zealand; Avalon Chemical and Avalon Industries, the UK shoe component company. He was managing director of Southlands. **Mr Neville Gillibrand** becomes managing director of Clarks Shoes, succeeding **Mr John Clothier**, the newly-appointed managing director of C. & J. Clark. Mr Gillibrand was marketing director of Clarks Shoes.

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FKI BABCOCK has appointed **Mr Norman Scoular** managing director of its electrical products group, a new division which includes Babcock Electrical Distribution and Mining as well as the diverse electrical products businesses of FKI. He joins from GEC, where he ran the low voltage switchgear activities

**Mr N.Scoular, managing director, FKI electrical products division.**

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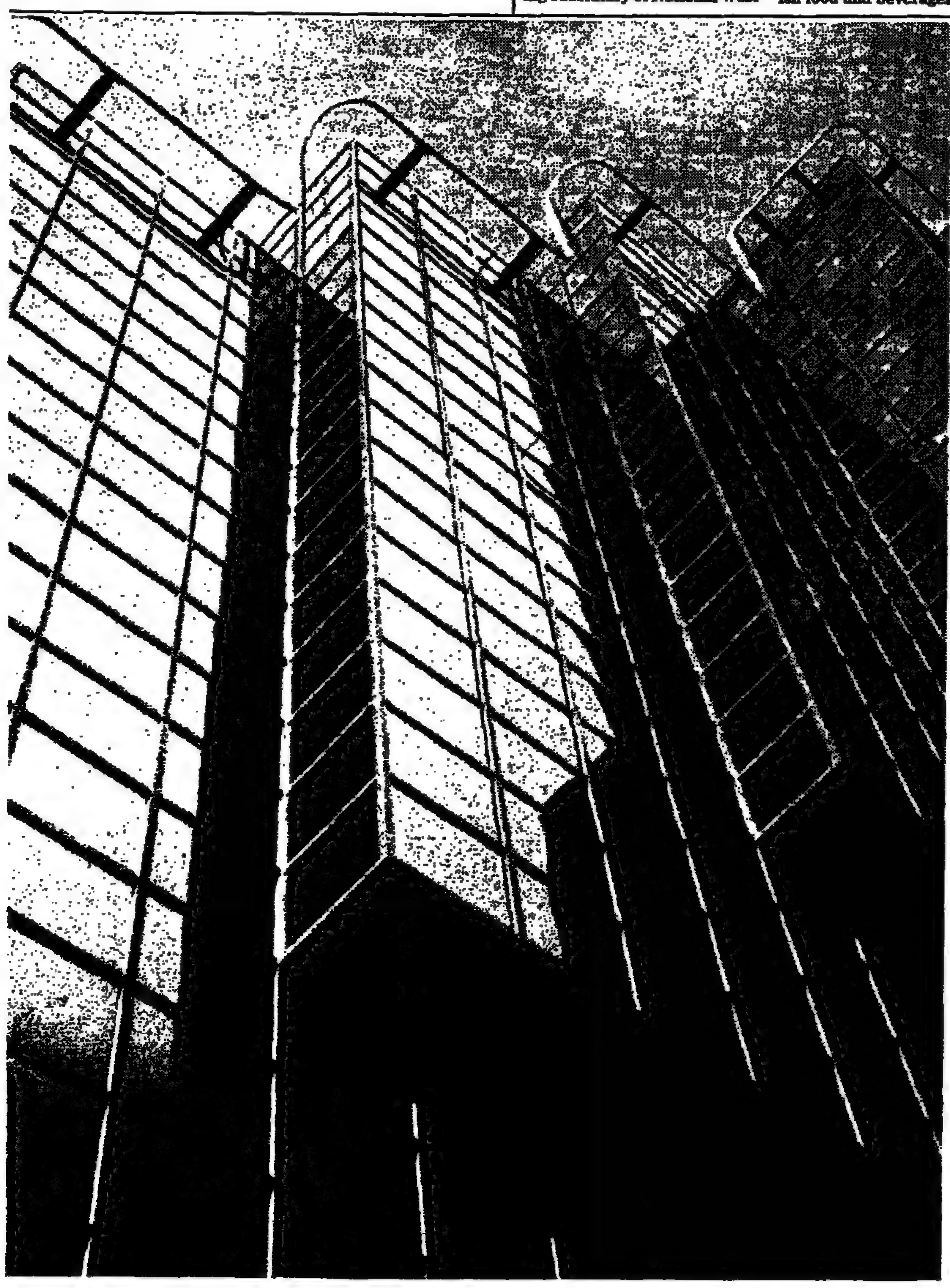
LEISURETIME INTERNATIONAL has appointed **Mr Adrian Aylward** as finance director. He was previously in the corporate finance division of County NatWest.

*

**Mr John O.R. Darby** has been appointed a director of ULTRAMAR. He is chairman of Arthur Young, but will be stepping down on October 31. He is also chairman of National Home Loans Corporation, Property Lending Trust, and non-executive director of British Rail Engineering.





# ANNOUNCEMENT OF IBM/FUJITSU DISPUTE RESOLUTION

by the

**AMERICAN ARBITRATION ASSOCIATION**

**COMMERCIAL ARBITRATION TRIBUNAL** in the matter of

**INTERNATIONAL BUSINESS MACHINES CORPORATION,** Claimant

-against-

**FUJITSU LIMITED,**
Respondent and Counterclaimant

# ARBITRATORS' REPORT

Sept. 15, 1987

On Sept. 15, 1987, we issued an Order and Opinion in an arbitration between International Business Machines Corporation (IBM) and Fujitsu Limited (FJ) under the auspices of the American Arbitration Association (AAA). The parties by agreement have empowered us to resolve their dispute.

The parties' primary dispute concerns FJ's use of IBM information in FJ's development of IBM-compatible mainframe operating system software. IBM claims that FJ copied IBM operating system programs in violation of IBM's copyrights. FJ maintains that it has only used IBM information unprotected under copyright law.

In 1983, the parties executed agreements to resolve this dispute. FJ has made very substantial payments to IBM under these agreements. However, these agreements were unsuccessful because they failed to establish adequate protective procedures for the ongoing use of IBM information in FJ software development and payment for such use.

The Order, binding on both parties, establishes a framework for a comprehensive resolution of this dispute.

## Resolution of Past Disputes

The Order will resolve all disputes between the parties with respect to programs previously released by FJ. FJ will make a lump sum payment to IBM and will receive immunity, release and waiver of all IBM claims. We will determine the amount of the lump sum payment during the coming year. This lump sum payment will be made in lieu of FJ's obligation under the 1983 agreements to make very substantial payments to IBM for certain programs designated by FJ for immunity.

Under the Order, FJ and its customers may continue to use existing FJ operating system software without interruption.

## Secured Facility Regime

To provide FJ a reasonable opportunity to independently develop and maintain operating system software, the Order will allow FJ, during a five to 10-year period (the exact duration to be determined by us) to examine IBM programs in a Secured Facility, and, subject to strict and elaborate safeguards, to derive and document information in accordance with rules specified in written Instructions. FJ may use such information, with immunity, in its software development. FJ will fully and adequately compensate IBM for such access and immunity.

The Order also gives IBM a reciprocal right to establish a Secured Facility if it wishes to examine FJ programs for IBM software development.

## The Basic Principles of The Secured Facility Regime are:

**1.** ACCESS IN EXCHANGE FOR ADEQUATE COMPENSATION

Specified personnel of a party, not otherwise engaged in software development, will have access in a Secured Facility to programming material of the other party (including source code whether or not generally available to customers) from which they may derive, and place on survey sheets, only such interface specifications and any other information specified in the Instructions. A party will have to pay the other party, fully and adequately, for its access to such information.

**2.** INDEPENDENT COMPLIANCE MONITORING

Compliance with Instructions and procedures relating to the Secured Facility will be strictly monitored by an independent and technically expert Facility Supervisor under our guidance and authority. No material will be removed from a Secured Facility except as permitted by the Instructions and approved by the Facility Supervisor. Before any survey sheet is released from a Secured Facility, the Facility Supervisor will transmit copies of such a survey sheet to representatives of the other party who will have an opportunity to object to the inclusion of any specific information. Each party may review for compliance any finished product developed by the other party during this period as a result of the Secured Facility regime. Any such compliance review must take place in a Secured Facility.

**3.** IMMUNITY

A party may use information placed on approved survey sheets in its development of operating system software and the other party may not challenge such use.

**4.** LIMITED DURATION

A party's right to examine deposited programming material of the other party, and to extract information specified in the Instructions, will end after the completion of a five to 10-year period (the exact duration to be determined by us). The Order replaces prior 1983 agreements that required each party to provide "External Information" to the other until at least the year 2002.

## Cross-licensing of Software

We believe that the Order will foster competition with respect to IBM-compatible mainframe hardware systems and products. In the past, FJ has only licensed its operating system software to run on FJ hardware. The Order gives users of each party's mainframe processors the right to license the other party's software products in countries where those products are offered. As a result, for the first time, customers may license FJ operating system software to operate on IBM machines.

## Disclosure

The parties have agreed that there be no disclosure of agreements or disputes by either party, absent prior written agreement by both parties. They have authorized us to make such disclosure as we deem appropriate.

We believe it is appropriate to disclose the Order and Opinion to the public. We intend to make further disclosures at appropriate times in the future. Meanwhile, the parties and their counsel remain obligated to make no disclosure concerning the arbitration proceedings.

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The Order, and the Instructions, rules, guidelines and procedures established pursuant to it, will exclusively define the rights and obligations of each party with respect to the use of the party's programming material during this period, notwithstanding copyright decisions of U.S. or Japanese courts or previous agreements of the parties.

The Order also creates a transition period for FJ to establish procedures and policies that will effectively protect IBM's intellectual property after the period expires and FJ's Secured Facility shuts down. After that time, FJ will have access only to IBM programming material generally available to customers and it will be able to use information in its independent software development only in accordance with then applicable copyright law.

Copies of the complete text of our Order and Opinion are available from the AAA, 140 West 51 St., New York, N.Y., 10020.

ROBERT H. MNOOKIN    JOHN L. JONES

ARBITRATORS
September 15, 1987

Robert H. Mnookin is Adelbert H. Sweet Professor of Law at Stanford University.
John L. Jones is a retired Executive Vice President of Norfolk Southern Corporation.

AMERICAN ARBITRATION ASSOCIATION

Takeover trends

# A stark contrast in European patterns

BY CHRISTOPHER LORENZ

IN THE FIRST three days of this month, the Financial Times carried eight reports of international takeover bids by European companies.

Half the bidders were from the United Kingdom. British Gas and WCRS (a marketing services group), were buying in North America. Norton Opax (printing and packaging) was taking a stake in an Australian company. Only one of the British, the Queens Moat Houses hotel chain, was acquiring within Europe (in Belgium and West Germany).

But all the other reports, of bids by Scandinavian and continental companies, were of activity entirely within Europe. Sandvik of Sweden acquired two specialised carbide enterprises in Denmark and the UK. Brown Boveri of Switzerland proposed a link with two Italian competitors, while Fiat of Italy moved in on Monte Carlo (a television station) and on Britain (as putative majority owner of part of Lucas Industries' motor components business).

This three-day pattern was certainly random, but it was no accident. Over the past three months the flow has been roughly the same, with the scorecard of foreign takeovers by European companies, according to Mergers & Acquisitions, a monthly FT publication, reading as follows: UK bids for US companies, 107; UK bids for other European companies, 37; other European companies' bids in the US, 26; other European companies' cross-border bids in Europe, 67.

In other words, whereas the British bid for roughly three times as many companies across the Atlantic as across the Channel between July and September, the rest of Europe did almost exactly the reverse, preferring Europe to America by a ratio of almost three-to-one.

This phenomenon applies not only to three days and three months, but also to the past three years - and beyond. In that sense, it is not new. Nor is the fact that Britain is by far the most acquisition-minded country in Europe.

But there is a vital difference between the last three years and what went before: that the contrast between the pattern of Britain's international takeover activity and the rest of Europe's is now much more stark than it was in 1984.

Whereas West German and Swedish companies, for instance, have virtually quadrupled the number of their takeovers in other European countries since 1983 (to 77 and 111 respectively in 1986), the British total has grown by only half (to 67).

And while over 70 per cent of all international acquisitions by West German, Swedish and French companies are now made in other European countries - in spite of a sharp rise in German and Swedish takeovers in the US - the European proportion of the UK's foreign acquisitions has slumped since 1984 from almost 40 per cent to only 27 per cent in 1986.

> Conventional wisdom has it that takeovers are hard to do in the Federal Republic. Yet the figures show that it has actually become a veritable haven for foreign predators

To put it bluntly, despite all the renewed talk of the attractions of Europe as an enlarged "home market", the British have become even more biased towards America and away from Europe, while the other Europeans have become still more Europe-minded - on such a scale that the European Commission has become seriously concerned (see FT, October 5,6 and 8).

"Continental business leaders have realised the threat they are under, in a wide range of industries, from the US and Japan," explains Martin Waldenstrom, head of the acquisitions practice of Booz, Allen & Hamilton, the US management consultancy. "They are closing ranks. For them, there's nothing that unites so much as a threat - if a French company feels threatened, it looks across the border to Germany."

Though British industry is at least equally endangered by international competition, it tends to react very differently, by piling still faster into the "safe" American market, Waldenstrom says. "The British don't feel as much part of Europe - they look to the US first." "For the British, the Channel is still wider than the Atlantic Ocean," agrees Philippe Haspeslagh, a professor at Insead, one of Europe's leading business schools.

Though Britain's acquisitiveness and its preference for America are nothing new, the extent of the bias has never before been charted in detail. Nor has the fact that it has become more pronounced through the 1980s, and more out of line with most other European countries as their own acquisitiveness has grown.

Now Martin Waldenstrom's Paris-based unit at Booz, Allen* has put together a remarkably detailed study of European takeovers, drawing on a very much wider range of sources than conventional studies.

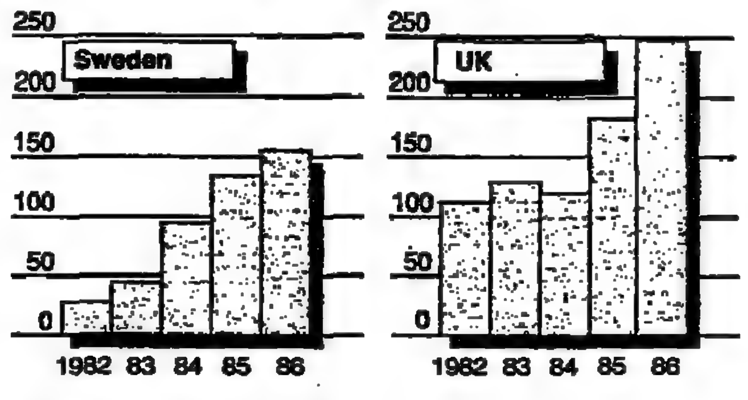
The results of the unpublished study, which cover the flow of acquisitions both into and out of Britain, France, Sweden and West Germany make fascinating reading - the illustration shows just part of the Booz analysis.

The deep insight into takeover trends which the Booz statistics provides contrasts with the usual sort of listings, which either tend to concentrate only on large deals, or restrict themselves to published data; Booz has tapped several other types of source.

Take the inflow of foreign acquisitions to West Germany. Conventional wisdom has it that takeovers are hard to do in the Federal Republic. Yet the Booz figures show that it has actually become a veritable haven for foreign predators: in each of the past two years over 160 West German companies have been bought from abroad, two-thirds of them by other European enterprises.

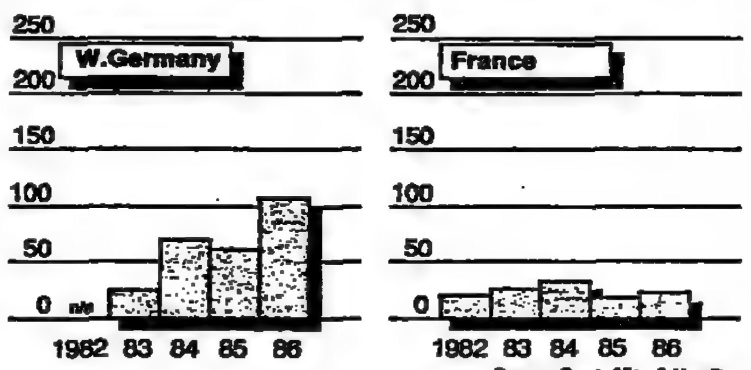
Of the four countries studied by Booz, the UK is the next most popular subject of inward investment-through-takeover: approximately 100 companies were bought from abroad in both 1985 and 1986, half of them by other Europeans.

**Total number of cross-border takeovers**
**in Europe, North America & the rest of the world**
(by nationality of acquiring company)




**Percentage within Europe**

| | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| Sweden | 78 | 71 | 56 | 72 | 72 |
| UK | 37 | 34 | 39 | 31 | 27 |
| France | 95 | 60 | 63 | 47 | 77 |
| W.Germany | n/a | 83 | 86 | 77 | 72 |




Source: Booz, Allen & Hamilton

Sweden follows (an average of 80 companies acquired from outside in the past two years), with France trailing in last with only just over 20 incoming acquisitions, almost all of them from other European countries. (Booz warns that the French figures may be slightly depressed by the difficulty of collecting reliable data, and that national differences in the type of source make it impossible exactly to match similar data from various countries.)

The study is equally revealing about the most "takeover-active" industries in Europe. Though many of the most-publicised recent deals have been in engineering (such as ASEA-Brown Boveri) and food (notably Carlo de Benedetti's spaghetti-like string of deals), neither of these industries turns out to be top of the list.

Instead, services rank very much top of Booz's league table of the most active target sectors between 1984 and 1986. "Business services" (including hotels and leisure, as well as consulting, advertising and so on) accounted for an estimated 15 per cent of all cross-border European takeovers, followed by retailing and distribution (about 12 per cent).

Third came industrial equipment (10 per cent), and then electronics (9 per cent), banking and finance, and chemicals (both 7 per cent), and food and beverages (6 per cent). Eighth in the list was drugs and medical equipment (5 per cent), followed by instruments (3 per cent), computers and office equipment (3 per cent), insurance, and oil and gas (both 2 per cent).

What is particularly surprising about this list is that hitherto "domestic" businesses such as retailing and distribution, with very little international trade across frontiers, should now be the subject of so many cross-border takeovers in Europe. Not even the street-corner grocery shop, it seems, is safe any longer from international competition.

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Black managers

# Redressing the balance

**Jimmy Burns on the Ethnic Minority Business Development Unit**

MANY BLACK entrepreneurs or potential entrepreneurs in Britain lack management experience. While they are aware of this, they often do not have the opportunity or knowledge to acquire the necessary skills, either through training or professional advice from others.

These were among the main conclusions of a report on Black Business Development published in May last year by the Commission for Racial Equality. While ethnic minorities, particularly Afro-Caribbeans, remain under-represented in the business sector, Britain's first Ethnic Minority Business Development Unit (EMBDU) is emerging as a model of what can be done to redress the balance.

The EMBDU was officially opened in the City of London Polytechnic in June 1986 by the then minister at the Home Office, David Waddington. From a cautious if somewhat confused beginning, the EMBU has, over the past 15 months, developed a streamlined five-week long course specifically tailored for those who may already be in business but who have failed to make a success of it. Apart from instructions on how to "form and run a limited company", the course concentrates on specific topics like information technology, business English, raising finance and sales techniques.

The EMBDU is unusual, given the current raging public debate over education, in as far as it is the fruit of co-operation between the Home Office, the Department of Education and Science and the left-leaning Inner London Education Authority.

But the unit appears to have found an effective bridge between warring ideologies in the figure of its director - 31 year-old Cosmos Charles.

Born in Dominica, Charles came to Britain in the early 1960s. He went to a comprehensive school in Hackney while his father was laying tracks for British Rail. He remembers being put in the bottom stream "because my father was black and working class" and being told once to do an African dance in front of the other schoolchildren.

Those early memories left Charles with an underlying sympathy for the concept of multi-cultural education and the initiatives favouring ethnic minorities seen in the early 1980s.

Cosmos Charles: it is about surviving the system

The prospective militancy in him was balanced, however, by studying for a degree in economics at Plymouth Polytechnic and later for an MSc in business studies at Cranfield College, from where he went on to be a lecturer on the subject. In spite of his lack of experience in industry, he was headhunted by the City Polytechnic as a person who could not only interpret the problems of ethnic minorities but also translate them into an effective link with City financial institutions and companies.

Charles believes that the "system" is still to an important degree weighted against the minority sectors: "An aspiring black businessman might have all the skills required of him but he still finds it difficult to get into the wider market. There's no-one to blame except the fact that too many people have been brought up believing that ethnic products are inferior. When black people come before the banks for funds, they find themselves having to try that much harder."

And yet Charles is now firmly convinced of that most basic of all entrepreneurial philosophies: that you can get anything in life as long as you try hard enough.

"We just haven't got the time on this course to discuss racial prejudice. My underlying message to the students is: don't allow yourselves to be hindered by the way you speak or the colour of your skin. Concentrate on developing a clear business plan, and make sure you closely monitor it once it gets going. That way you are in with a chance of making a success of things," says Charles.

The Unit has a permanent staff of three in addition to access to all the teaching facilities provided by the Polytechnic. But Charles sees an important part of his job as drawing into the course outside lecturers in the form of personnel managers who are expected to listen as well as teach. "In that way the two sides are sharing their experiences," he says.

The prototype for the EMBDU is in the United States where over 30 similar units have been developed. The impetus for the advance in the US into the field of minority business development was the riots and Civil Rights movement of the 1960s. Similarly in Britain the need to encourage and facilitate black business development began to be taken more seriously by the Government after Lord Scarman's report on the Brixton riots in 1981.

Nevertheless, Charles is only too aware of the uphill struggle he faces in following the American example. On the political right in Britain, efforts aimed at removing racial disadvantages are all too readily dismissed as "positive discrimination" and the substitution of one favoured group by another. On the left, there are those who remain averse to the profit-motive which lies at the heart of the American Minority Enterprise development scheme.

There is the added dilemma, recognised both inside and outside the UK Government, of the potential social pitfalls of creating a too expansive and thrusting black entrepreneurial class. "While the aim is to do something about the ethnic imbalances in the inner cities, there is a danger that we will create an exodus of the most skilled, leaving those areas even more worse off economically than they are now," says Charles.

But as he looks around for additional government and private sector support, Charles has taken heart from the 200 students who, thanks to his courses, have turned what seemed inevitable failure into the prospect of success. Two recent examples were provided by a computer and printing company which was on the point of bankruptcy when its managers came to one of his courses. They have succeeded in turning round their finances.

Charles explains: "This school is not about fighting the system. It is about how to survive it."

# CONTRACTS

## £26m substation in Riyadh

An export order worth £26m has been won by **NEI REYROLLE** to build a substation in Riyadh for the Saudi Consolidated Electric Company, Central Region. The 30-month contract is due for completion in early 1990. Reyrolle will have total turnkey responsibility for the project and will be supplying the 400kV gas-insulated switchgear. An Italian civil engineering contractor, **SADELMI COGEPPI**, will be constructing the substation itself. NEI Reyrolle is based in Hebburn and is part of Northern Engineering Industries.

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**FERRANTI METROLOGY SYSTEMS** has won export orders worth more than £350,000 to supply four Belgian companies with advanced inspection machines. The largest machine, a Merlin 1400 co-ordinate measuring machine was ordered by Van Landuyt of Wetteren to inspect manufactured blocks and casings for specialist machine tools produced by the company. The machine with a capacity of 1400mm x 2200mm x 1000mm (x.y.z co-ordinates) is also to be supplied with both high accuracy software and direct computer control(dcc). The remaining oroers were all for Merlin 750 machines, with the full dcc option. Mektron of Gent ordered one machine to inspect a range of components manufactured for the computer industry. High accuracy software was specified. The third machine was ordered by Polyform of Limbourg to inspect moulds and die tools used to produce a range of plastic components, a similar application to the final machine ordered by Erta Plastics. The orders were placed through CETEC s.a., recently appointed agents for Belgium and Luxembourg, and the machines were installed by Ferranti GmbH, Frankfurt.

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**REDLER** has won an order from Guinness, valued at more than £350,000 to design, manufacture and supply coal and ash handling equipment. The equipment - due to be installed early next year will form part of a multi-million pound boilerhouse renovation being carried out by Guinness at its Park Royal, London, brewery. It consists of specialised plant to accept coal from lorries and then transport to large storage bunkers situated above two new boilers. Additionally Redler is to supply a complete ash handling system below the boilers. This will collect dry ash from the various boiler outlet points and condition it with water before conveying it to a storage silo from where it will be discharged into road vehicles for disposal.

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**WEIR PUMPS** has beaten international competition to win a contract, worth around £1.5m, from Mitsubishi Heavy Industries of Tokyo to supply seven water injection pumps for the Middle East oil industry. The 5000HP barrel casing pumps are each capable of pumping 500 cu metres per hour at 180kg/sq cm. Contract delivery is September next year.

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**NEI PARSONS**, of Newcastle upon Tyne, has won a second order from the Japanese company Toshiba for condensing plant,feedheating equipment and pipework for the 60Mw Unit 4 at Dhekelia power station, Cyprus. In June NEI Parsons won a similar order from Toshiba for Unit 3 of the same station. The combined value of both orders is £3m. Condensing plant, feedheating plant and high integrity pipework are important elements of NEI Parsons' activity.

Tarmac Roadstone has placed orders worth about £1.5m with the **GOODWIN MILLAR** organisation of which Leicester quarry plant manufacturer Goodwin Barsby is part. They include a MAP 160 mobile asphalt plant which Goodwin has installed at Tarmac's Darrington quarry in Yorkshire, and a mobile crushing and screening plant for Holmhall quarry near Doncaster. The largest single order, worth about £800,000, is for a Bramatic 150 asphalt plant for a site at Ampthill in Bedfordshire.

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**ASEA STAL**, Finspong, Sweden, has an order from the Vietnamese Power Company No. 2 for a GT35 gas turbine power plant for electricity generation. The plant will be installed outside Ho Chi Minh City, which it will supply with about 14MW. The fuel will be diesel oil, with the possibility of converting to natural gas. Delivery from Sweden is due in February, 1988, after a production time of 22 weeks.The order, which is worth around £4m, has been financed with the assistance of the Swedish International Development Authority.

## Specialist personnel for Angolan oilfields

**TECHNICARE INTERNATIONAL** has been awarded a £2.25m contract by the Cabinda Gulf Oil Company to provide the services ofspecialist engineering personnel to Cabinda (part of Chevron Overseas Petroleum Inc) in Angola, assisting in the operation and maintenance of the offshore oil and gas field production facilities. Services include provision of support personnel for the operation of offshore oil production platforms, maintenance of power generation and electrical distribution.

equipment, mechanical, rotating equipment, turbines and plant, instrumentation and control systems, air conditioning and refrigeration equipment, plant craneage and heavy civil construction equipment. Technicare personnel are also involved in the on-the-job training of Angolan nationals. Technicare International is a wholly-owned subsidiary of Turriff Corporation.

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**WELDWORK CARGO SYSTEMS** has signed contracts to supply over £2m worth specialised cargo handling equipment for British Airways at Heathrow, Air Canada at Vancouver and Devtec/Aer Lingus at Dublin.

## Upgrading BP petroleum gas pilot plant

A British development in petroleum refining and gas processing technology will be implemented by Manchester-based contractor, **COSTAIN PETROCARBON** for British Petroleum. The new Cyclar process converts liquefied petroleum gas into high-value aromatic gasoline components or petrochemical feedstocks.

Costain Petrocarbon has also been awarded a £15m contract to engineer, procure and construct a Cyclar process demonstration unit at BP Oil Grangemouth refinery. The contract also covers assistance to BP in commissioning the plant. The process, which converts LPG to aromatics and hydrogen, results from joint development work by BP and UOP Inc. It is based on a catalyst developed by BP scientists, combined with the UOP continuous catalyst regeneration system as used in its Platformer process.

The plant will be commissioned in 1989 and will operate for a long-term proving period. Feed, products and utilities will be tied into existing refinery services.

The **W.H.SMITH ELECTRICAL ENGINEERS GROUP**, a subsidiary of Staveley Industries, has been awarded electrical and instrumentation contracts worth £10.1m. The contracts have been won in the north and south of England by the group's six divisional offices and represent both new and repeat business.

The Manchester division has won a contract to install the electrical and mechanical services for the A38 Saltash bypass tunnel in Cornwall at £1.8m, also anadvanced biochemistry centre for Jacobs International at £1.3m, and a flourmill for RHM at £360,000.

Anderson's division at Teesside has a boiler coal firing conversion contract with ICI at Wilton worth £1.5m, also for ICI the electrical and instrumentation for a new ammonia plant at Severnside at £650,000.

Couzens division, Sheffield, has orders for coal preparation plants at Harworth Colliery (Notts) and Coventry Colliery valued at £900,000 and £490,000 respectively.

The Cambridge office has two projects on Cambridge Science Park worth £800,000, contracts at Glaxo Greenford with £400,000 and Queens College, Cambridge University, £300,000.

The Blackburn division has M.O.D. orders worth £572,000 and an installation at Houghton Police Station worth £225,000. THe company has also received contracts worth £800,000 for work at BNFL Capenhurst.

## UK NEWS

# Small institutions under pressure

### Banking Act rules are a burden for some, reports Richard Waters

THE PRESSURES of banking regulation are being felt at the Assemblies of God Property Trust. The trust has just doubled its staff to deal with the extra burden caused by the Banking Act, which came into force at the beginning of this month: it has taken on one extra person.

The trust, with assets of £2.5m, is one of a number of small financial institutions that face steeply rising costs as a result of the act. Several might find themselves becoming uncompetitive, industry observers warn.

"Regulation is going to become more costly," says Mr Roy Ruffler, managing director of Lordsvale Finance, an institution with assets a little over £5m. "One can see the smaller ones gradually disappearing."

Lordsvale, a specialist in financing bingo clubs, discotheques and amusement arcades, thinks it will be among the survivors. It doubled its capital to £1m last year and may double it again this year.

The two institutions are among 288 licensed deposit takers (LDTs), a second-tier group belonging to a category which, under the Banking Act, has been lumped together for regulatory purposes with banks.

The LDTs were a motley collection. Many were the foreign branches of overseas banks that did not offer the range of services to qualify them for full bank status.

There were also a number of specialist British financial institutions that have thrived on their experience in particular sectors. Some of those institutions, which have filled a small but important gap in the financial world, may now be under threat.

"In the face of tougher competitive conditions and the tighter supervisory regime, a number of smaller institutions have been reassessing the benefits of keeping a licence, with some withdrawing from deposit-taking," the Bank of England said in its annual report this year.

The Bank has doing its bit to speed up the process. Prompted by the difficulties that emerged at Johnson Matthey Bankers in 1984, it has carried out more than 100 informal investigations of LDTs. A quarter of those institutions have since been nudged, cajoled or otherwise persuaded to close down or sell out to larger groups with more muscle.

The full costs of the Banking Act cannot yet be assessed. They are likely to come from three areas:

- Auditors must report on financial institutions' control systems. The extra cost is estimated at between 25 per cent and 50 per cent of audit fees. The reports are also likely to highlight the need for greater control, whether in the form of a new computer or extra staff.
- The Bank can request an institution to appoint a non-executive director. All the signs are that it will make use of that provision - adding substantially to the costs of small companies.
- Although there are no new capital adequacy rules, the Bank, which has been reviewing LDTs for the past three years, has generally encouraged institutions to strengthen their capital bases. The capital shortfall in institutions that have been wound up also suggests that the Bank may want a greater cushion against losses. Servicing the extra capital would add to costs.

Few are yet able to put a figure on that cost. The Assemblies of God Property Trust, run by the church of the same name, reckons regulation will force it to increase its margin on lending.

Its 850 depositors, drawn from its 600 churches around Britain, receive 9 per cent interest. Loans for new church buildings are made at 10 per cent. Extra regulation is expected to add between ¼ and ½ percentage point to that 1 point margin. As a non-profit-making charity, the trust expects to be able to survive.

The larger institutions are building a stronger base to ensure their future. Mr Ruffler of Lordsvale said its doubling of capital was not requested by the Bank of England, but added: "I'm sure they would have requested it in time. I preferred to pre-empt them."

Larger institutions predict little change. Authority & Co, which has a conventional small banking business with capital of £8.5m, expects to continue undaunted. "Controls under the new act will be no more and no less onerous," said managing director Mr David Innes. "We don't see this creating any more problems for us."

As one of the large former LDTs, Authority feels comfortable - unlike the Assemblies of God Property Trust. "Sometimes the effects of regulation fall heavily on the small deposit-takers," said Mr Charles Bowler, the trust's secretary.

# Financial advice body disputes OFT findings

BY ERIC SHORT

THE CAMPAIGN for Independent Financial Advice, sponsored by 13 life assurance companies, has criticised the findings of the recent study by Arthur Young, the management consultancy, on the effects of financial services legislation on the incomes of small intermediaries.

The survey of 80 intermediaries, carried out on behalf of the Office of Fair Trading, deduced that their incomes might be cut by between 28 per cent and 55 per cent.

Under financial services legislation, intermediaries marketing life assurance and unit trusts must either be completely independent or become the representative of a single company.

Camifa is campaigning to persuade independent intermediaries to remain so and for the public to use their services. The Arthur Young report, it says, is being used by certain life companies to persuade intermediaries to become their representatives.

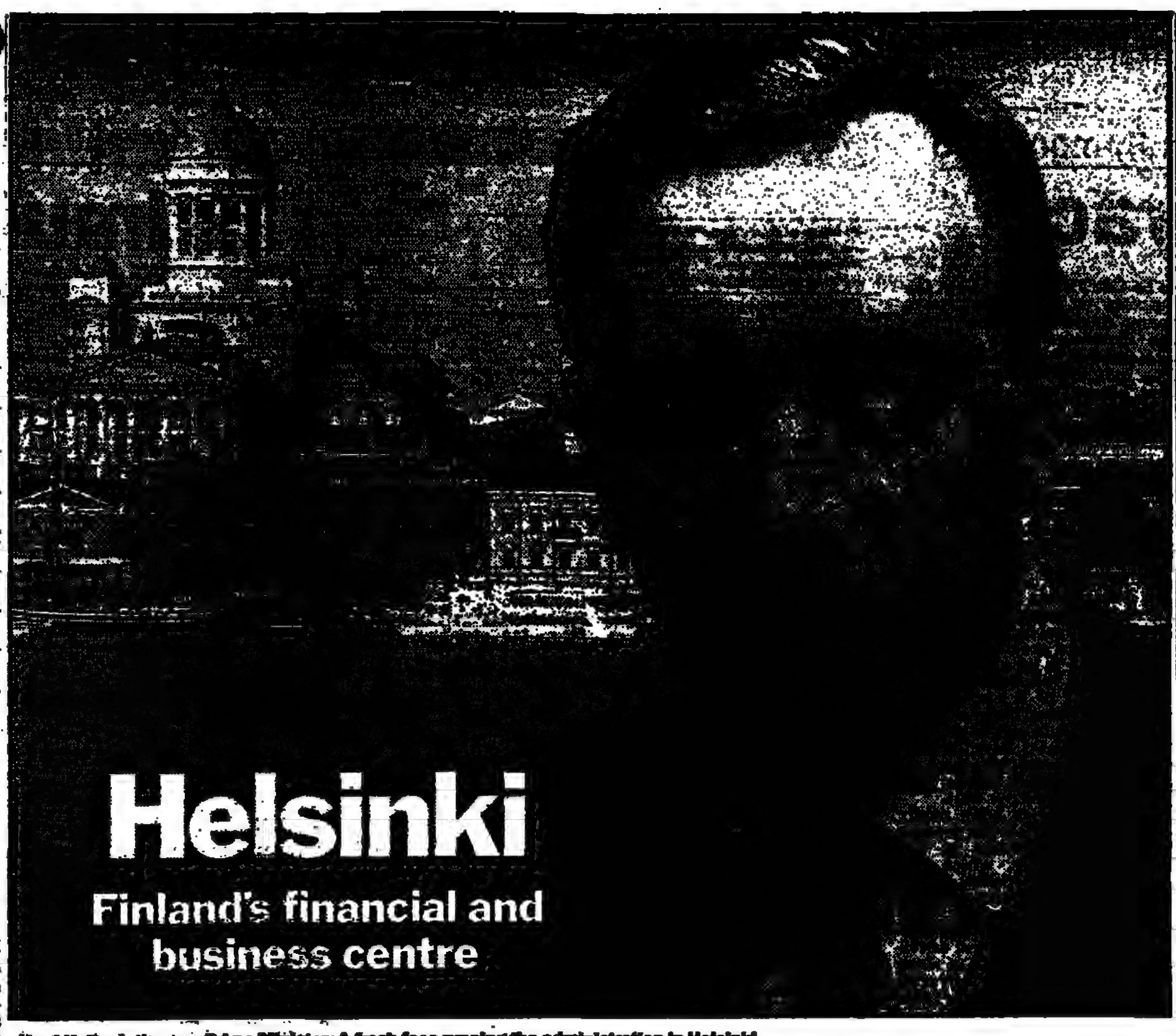
In a report to the OFT on the survey, Camifa claims the findings were based on a sample that was too small and biased in various directions. There was, in particular, an unduly heavy response from intermediaries who felt that their future would be severely affected and were looking for means to force the Life Assurance and Unit Trust Regulatory Organisation (Lautro) to increase its commission scale.

Camifa also claims that the figures used by Arthur Young on the effect of the new Lautro commission scales and the expenses of being authorised under the financial services legislation contain errors and dubious assumptions.

Camifa has made its own calculations on the likely effects, and estimates an income fall of about 1½ per cent. It still considers that the costs of authorisation for the small intermediary, who does not handle clients' money, are too high.

# FINANCIAL TIMES SURVEY

Prime Minister Harri Holkeri is expected to keep the economy on an even keel at the head of a new coalition while the Bank of Finland's policy of gradual deregulation has smoothed the path of financial markets in Helsinki, says **Kevin Done**




Harri Holkeri, the new Prime Minister: A fresh face running the administration in Helsinki

## Deregulation gathers pace

FINLAND'S FINANCIAL markets are undergoing a revolution as the winds of liberalisation and deregulation spread to Helsinki from other financial markets around the world.

As the financial and business capital of Finland, as well as the country's political and administrative centre, Helsinki had previously moved cautiously down the path of reform, but in the last two years the pace has changed decisively.

Helsinki has now moved into the mainstream of international financial developments with the rapid development of more sophisticated financial services, backed by a central bank that finally has accepted the wisdom of pursuing a market-oriented monetary policy.

In parallel to the liberalisation of Finnish financial markets and the increasing internationalisation of Finnish business, the country has also gone through a political sea-change this year with the entry of the Conservatives into a coalition Government for the first time in 21 years.

A Government combining Finland's two biggest parties the Conservatives and the Social Democrats (together with the smaller Swedish People's and Rural Parties) was a surprising outcome of the general election earlier this year, but the new coalition is already solidly entrenched and appears to have given a fresh impetus to the established spirit of consensus that has dominated Finnish economic and political development over the last decade.

Block politics are absent in Finland. The constitution with its demand for a qualified two-thirds majority on major legislative changes - including taxation - in any case virtually compels co-operation across the political divide, but the ease with which the new coalition partners reached agreement on a Government programme illustrates the lack of ideological conflict in one of Europe's most bourgeois societies.

With the economic reforms of the late 1970s, Finland's Social Democrats accepted, rather earlier than their colleagues in the labour movement elsewhere in Europe, that to achieve balanced economic growth, the inexorable rise in public expenditure and taxation had to be halted, and enterprise had to be encouraged.

The success of the economic policies of the last decade has been enviable with the growth in Finland's gross national product (GNP) easily outstripping the European average, but without the wild fluctuations that had characterised the country's earlier economic development.

The consensus that has laid these foundations is hardly likely to be rocked by any right-wing radicalism from the Conservatives.

"Pragmatism is the ideology of our party," insists Mr Harri Holkeri, Finland's first Conservative Prime Minister since the 1940s. "We are very practical."

Like the Social Democrats, the Conservatives draw most of their strength from the urban areas, and the two parties already have a long experience of co-operation in running several of Finland's biggest cities including Helsinki, where Mr Holkeri has led the city council for much of the 1980s.

To give new impetus to consensus politics the Holkeri administration is seeking to profile itself as the Government of structural change, able to manage the challenges and social consequences, not least in the labour market, posed by the modern information society. It is essentially a Government comprising "good technocrats", says Mr Holkeri proudly.

The tone has been set by the 1988 budget with a large increase in funds to be allocated to research and development, university level education and applied research to benefit industry.

Heading the agenda for reform is a radical overhaul of the Finnish taxation system, which the Government hopes to embark on in 1989, but the Conservative-led coalition is also preparing to embark cautiously on other reforms such as a careful programme of partial privatisation of state companies.

It will be consensus privatisation, however, which means that the Government will allow state-owned companies to take in private capital and seek a listing on the Helsinki stock exchange, but without the state ceding majority control. The first candidate for such treatment is Valmet Paper Machines, but it could be followed by Valmet itself, Kemira, the chemicals group, and perhaps later by Outokumpu, the mining and metals group and Veitsiluoto, the pulp and paper concern.

"Pragmatism is the key word," says Mr Holkeri, "this is not privatisation, but something in between."

At the same time the new Government is planning what it calls a "renewal of working life", with reforms to improve job security and retraining in the face of the lay-offs and occupation-specific unemployment that will arise from the restructuring of the economy. At the same time changes are being planned to introduce some form of co-determination in Finnish industry.

In the financial markets major reforms have already been pushed through in the last couple of years, a process that has been accompanied by a prolonged boom on the stock exchange and a proliferation of new financial market instruments.

For the first time as of this year Helsinki now has a well-functioning money market comprising a market for domestic CDs - the first commercial paper programmes were announced in the spring of 1986 - an interbank market and the foreign exchange market.

In addition to companies and banks the Bank of Finland participates through its transactions in the CD market and the foreign exchange market. The Government has so far participated in the money market only on a limited scale, but this could change next year, says Mr Ollila, when it receives authorisation to issue short-term negotiable paper. "This should further enhance the functioning of the money market by increasing supply."

## Holkeri: the hard currency man

AS A SEASONED marathon runner and long distance skier Mr Harri Holkeri has learned to understand the virtues of stamina and endurance. Prime Minister of Finland since April, Mr Holkeri had spent most of his career in politics, and yet the prize of the premiership had appeared as far away as ever.

He became secretary of the youth league of the National Coalition Party, (Kansallinen Kokoomos), the Finnish Conservatives, in 1959 and progressed through the party ranks before becoming party chairman in 1971. At the age of 34 he was Europe's youngest Conservative Party leader.

When he left the party chairmanship in 1979 to join the board of management of the Bank of Finland, the party was still firmly in the political wilderness, however. Until its success in the last election it had spent 21 years banished to the opposition benches, even though it has raised its number of seats from 26 to 53 during the period.

Mr Holkeri, now 50, was the party's candidate for the presidency in 1982, and is standing again in 1988, but for much of the 1980s he had been politically active only on Helsinki City Council rather than on the national stage, choosing instead to bide his time at the central bank.

It was a shrewd move. The Bank of Finland plays an extraordinary role among Finnish institutions as a finishing school for would-be prime ministers and presidents.

Former President Urho Kekkonen was a member of the board of management, the present President Mauno Koivisto was once Governor of the Bank, and Mr Kalevi Sorsa, Prime Minister for ten years for various periods from 1972 to April this year, chairman of the Social Democrats for 12 years, and widely tipped as his party's candidate for the presidency in the 1990s when President Koivisto steps down, has just been appointed to the management board.

The Bank is clearly the ideal staging post to the highest offices, and it was to his former colleague at the central bank, Mr Holkeri, that President Koivisto turned to find Finland's first Conservative Prime Minister since the 1940s.

The son of a policeman from the small rural town of Toijala, Mr Holkeri has managed to keep his image as the 'Mr Clean' of Finnish politics noted for his integrity and a highly developed sense of duty, and rather less for his sense of humour. He is known as a Conservative with liberal views, and he would hardly fit the traditional line of most European Conservative parties.

The Conservatives and Social Democrats found themselves after the election in their common determination to hold firm the Finnish currency, which had faced a wave of speculation in the summer of 1986. After the election "I said we needed a hard currency cabinet," says Mr Holkeri, a sentiment clearly well-received by the President, himself a former Governor of the Bank of Finland.

**Kevin Done**

### Politics

## A watershed

IN THE general election earlier this year Finnish voters elected the biggest non-Socialist majority since 1930. The election has proved a turning point in Finnish political history.

The model of coalition government that has dominated the political stage in Finland since the late 1930s, namely the co-operation between the Centre Party, the earlier agrarian party, and the Social Democrats has been abandoned to be replaced by a coalition built around the Conservatives and the Social Democrats.

The election result suggested at first the radical alternative of a purely non-Socialist Government based on a coalition of the Centre Party and the Conservatives, but such a sharp departure from the country's now deeply rooted traditions of consensus and broadly-based political co-operation was not to the liking of many, not least the Finnish President Mauno Koivisto.

Under his guidance the new Government emerged bringing together the Conservatives and the Social Democrats together with the much smaller Swedish People's Party and the Rural Party, but dramatically excluding from power the Centre Party.

The result was a bitter blow to Mr Paavo Vayrynen, the ambitious Centre Party leader and former Foreign Minister. As the

Continued on page 2

Economic expansion is being carefully monitored

# On the right track

FINLAND HAS achieved an enviably strong and stable economic growth in the last five years and most forecasts suggest that the country will be able to maintain the rate of economic expansion of around 3 per cent a year in both 1987 and 1988.

Growth in GDP (gross domestic product) is expected to reach 3.5 per cent this year, well above the European average, and the slowdown in the first half of 1986 which helped trigger a strong wave of speculation against the Finnish currency little more than a year ago, was a temporary setback.

The prospects for the Finnish economy are promising. Inflation has been brought down close to three per cent and could stay at this level next year. Unemployment at around 5.5 per cent is considerably below the European average although higher than in neighbouring Sweden and Norway.

Growth is being supported chiefly by exports to western markets and by private consumption, but private sector investment has also revived strongly during 1987 helped by improved profitability in the corporate sector. According to Kansallis-Osake-Pankki, one of Finland's leading banks, corporate profits are likely to increase by 40-50 per cent this year.

With the booming economy the deficit on the current account of the balance of payments has inevitably widened and is forecast to total some FM5.5bn ($1.25bn) this year and FMk6bn in 1988.

At around 1.5 per cent of GDP the position is still far from alarming, but according to Mr Pertti Sorsa, director of the economics department in the Finance Ministry, "Without action the deficit will go on increasing, and this is the main reason for tightening policy. This is a serious economic policy challenge."

The deficit is increasing because of the higher volume of imports that are being sucked in by strong domestic demand, which is expected to increase by nearly 5 per cent this year fuelled by robust private consumption, private investment and a further jump in real wages of some 3.5 per cent.

The current account deficit is also widening somewhat despite Finland's encouraging foreign trade performance, where exports to western markets are showing a 7 per cent volume increase this year and Finland is gaining market shares abroad.

At the same time the fall in export volumes to East bloc markets and most importantly the Soviet Union has been less sharp than feared with a decline of 10 per cent in volume instead of the 20 per cent feared a year ago.

In its important bilateral trade with the Soviet Union, which is based on five year trade agreements and in which the trade is supposed to balance over the medium term, Finland has managed both to increase and to diversify its imports including natural gas.

At the same time Finland is taking increasing amounts of Soviet crude oil for re-export to the world market, and this year Neste, the Finnish state-owned oil company, is likely to export a record level of some 4.5m tonnes of crude oil with a similar volume expected for 1988.

The Finance Ministry appears to be fairly sanguine about the outcome of next year's wage round. Based on wage drift and the carry-over from previous agreements wages are due to rise next year by about 5 per cent, but it is likely that the national wage bargaining round could bring an additional rise of at least two percentage points.

Such a development could result in a rate of inflation in 1988 of around 3.5 per cent. The official government target is aiming rather optimistically at reducing inflation to only two per cent next year, and as a result the Government announced a careful tightening of fiscal policy in the budget for 1988.

The rate of growth in public expenditure is being slowed to 2 per cent in volume terms after an increase of 5 per cent in 1987. In addition there will not be a full inflation adjustment of income tax scales, with the Government adjusting for a two per cent inflation rate rather than the expected 3-3.5 per cent.

The budget has been partly designed to support the process of structural change in the Finnish economy, which the new Conservative-Social Democratic coalition Government has identified as its major challenge. It is increasing the allocations for research and development by 12 per cent to more than FM5.5bn next year. Overall expenditure on university level education will increase by 14 per cent, and there is to be a 14 per cent increase in funds for occupational training.

Funds for applied research to benefit industry and other sectors involved in the promotion of domestic production are rising by 14 per cent.

## Imports and Exports

| | 1986 | 1987** | 1988** |
|---|---|---|---|
| | | change % | |
| Volume of merchandise exports | ½ | 3½ | 2 |
| – metal and engineering industries | 0 | 3 | 4 |
| – forest industries | 2 | 5½ | 2 |
| – other exports | −1 | ½ | −2½ |
| Price of merchandise exports[1] | −2½ | 2 | 3 |
| Volume of merchandise imports | 5½ | 6½ | 3 |
| – raw materials and fuels | 5 | 5 | 3 |
| – finished goods | 8 | 8 | 3 |
| Price of merchandise imports | −10 | −1 | 3 |
| Terms of trade[1] | 8½ | 3 | 0 |
| | | Fm (bn) | |
| Trade balance[2] | 4.2 | 4.4 | 3.9 |
| Balance of payments on current account | −4.5 | −5.6 | −5.8 |

1) According to the unit value indices of the National Board of Customs.
2) incl. adjustment items.

Source: Finnish Finance Ministry.

After several years of discussion but little action Finland is preparing major tax reform from 1989. The main elements of the Finnish tax reform package inevitably resemble steps being considered in many other industrialised countries.

It is planned that the income tax system will be less progressive and that there will be lower marginal rates. Sources of income that are currently untaxed, such as interest income from bank deposits, will in future be taxed. The aim, says the Finance Ministry is to introduce a more equal and neutral taxation of interest income and capital income, in order to avoid the distortions in the financial markets caused by the present tax system.

Corporate taxation is also on the reform agenda with probable cuts in the rate from 33 per cent to 20-25 per cent but with a larger tax base. Finland currently has, for instance, some of the most liberal depreciation allowances of any of the industrial countries.

The tightening of fiscal policy planned in the 1988 budget may take some of the pressure off monetary policy, but Mr Rolf Kullberg, Governor of the Bank of Finland, is extremely cautious about the prospects for lowering interest rates at a time when the economy is already running strongly.

"Interest rates are still very high in real terms," he says, "but we cannot see why they should be lower. There is a rapid credit expansion in the banks, there is a boom in the economy, exports are growing well, and private investment is rising, by 10 per cent in industry. When we have a boom like now, why give more freedom to demand factors?"

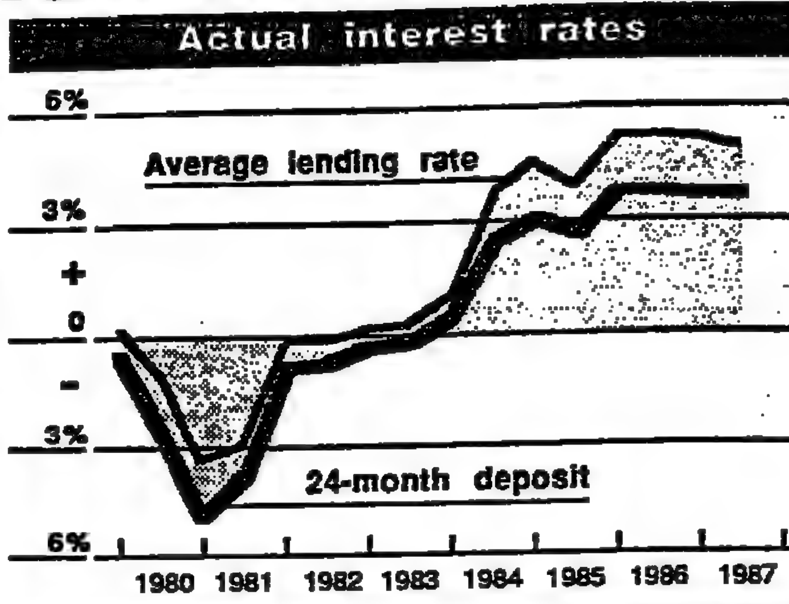
The central bank is interested in maintaining high real interest rates as a weapon in reining in inflation and supporting the current account.

The central bank's firm stance in August last year in fighting a wave of speculation against the Finnish currency has been rewarded by a strong recovery in the country's foreign exchange reserves. The reserves of convertible currencies were drained from around FM20bn at the end of 1985 to only some FM8bn in August last year, but they have risen throughout 1987 as confidence was restored and moved back to about FM24.5bn by September.

**Kevin Done**

After deregulation financial markets are booming

# Stimulus welcomed




CONSIDERING ITS speed, deregulation of Finland's financial markets has been a very smooth process. During the past 12 months all short-term lending has been liberalised, new money market instruments dot the scene and the Bank of Finland has changed the interest rate weapon to open market operations as its tool to implement monetary policy. And all this has provoked practically no disturbances in the markets.

Meanwhile the Markka has regained strength after heavy speculation and depleting currency reserves in August, 1986. Still, the Bank of Finland keeps interest rates at relatively high levels to curb pressure in consumer prices. The Bank of Finland has consistently followed its policy of gradual deregulation and, unlike a couple of years ago, when it was considered either too slow or too stringent, the central bank's actions are now almost universally approved.

Along the path of liberalisation one measure stands out. In August 1986 the Bank of Finland gave banks a free hand in setting their lending rates. Before that the rates were tied to the base rate or a complicated formula based on each bank's cost of borrowing.

So practically all new loans are priced at market interest rates and the central bank has allowed banks to pass some of the cost even to some outstanding loans. The base rate, which used to be the corner stone ofthe whole system just two to three years ago, now plays a minor role.

While the base rate, now at 7 per cent has a lesser role in setting lending rates, it is still important in Finland's unique system of tax free deposits. The law governing tax exemption of deposits, which expires at the end of 1988 and is expected to be abolished after that, ties the normal deposit rates to the base rate. The same applies to government bonds, which are still largely tax-exempt, although the first taxable bonds have already been introduced.

The call money rate, which the Bank of Finland established to regulate the growing money markets, has also become more or less obsolete. The central bank preferred a system in which markets, rather than its own adjustment, would determine the market rates. So, from December 1986 to April this year, it operated a system in which the central bank auctioned three-month credit to banks.

At the same time the central bank retained the call money rates but discouraged their use by widening the margin of the rates. Call deposits now pay 7.50 per cent whereas credit costs the banks 11 per cent.

In May, the Bank of Finland discontinued the three-month credit system. Instead it uses open market operations in certificates of deposits. The central bank now aims at a system in which market forces determine interest rates and intervention happens by monetary policy.

When money market funding became more and more important as opposed to cheap regulated deposits, the increased risks forced banks to establish their own reference rates for lending. The central bank also came to the market in May this year with its own rate, the Helsinki Interbank Offered Rate (Helibor), which is the average of the bid rates the country's five biggest banks quote for certificates of deposit each day.

The Helibor rates published are for various periods ranging from one to 12 months. They have now become key rates on the money market and meanwhile certificates of deposits have grown rapidly in volume.

In the beginning of 1987 they amounted to FM2bn ($487.8m) while at the end of June the volume totalled FM17bn. The central bank paved the way for the rapid development by freeing CDs from cash reserve requirement in the beginning of 1987. Banks contributed by agreeing to accept each other's CDs.

Other new market instruments include commercial paper, local authority paper and treasury notes.

Currency reserves have gone up to FM25bn in late September compared with FM8bn at the time of the crisis a year ago. And the Markka has gained 2 percentage points since the beginning of this year.

Despite the strong currency the central bank has done its best to keep interest rates at a relatively high level. This has irritated politician and industrialists alike.

The three-month interest rate for CDs has come down this year by more than 3 percentage points to 9.5 per cent in late September but compared to the inflation level of around 3.5 per cent and the strong Markka, many regard it as still far too high.

Foreign exchange regulations have also been eased considerably. First the Bank of Finland liberated practically all trade-related transactions. Next it has abolished many rules governing foreign borrowing.

Still, issuing EuroMarkkas is still very much restricted.

As of the beginning of October the banks have also been allowed to issue and purchase Finnmark options. Until then only currency options had been available.

**Olli Virtanen**

# Turning point

continued from page one

Centre Party's candidate in next year's presidential election, he had made no secret of his strong desire to take over the premiership, as leader either of a purely non-Socialist Cabinet, or of a broadly-based Conservative/Centre/Social Democratic Government.

In the weeks of delicate negotiations that followed the election he was totally out-manoeuvred, however, by a President eager to explore other alternatives. It was a bitter blow for the Centre Party, the party of former President Urho Kekkonen and previously an apparently indispensible element of any Finnish Government coalition, to suddenly find itself in opposition.

The increasingly threadbare personal relations between Mr Vayrynen and Mr Kalevi Sorsa, the former Prime Minister and Social Democratic chairman, had made further co-operation between the two parties virtually impossible, however.

It is still early days for the new coalition, but the first months of the new Government led by Mr Harri Holkeri, former chairman of the Conservatives (known in Finland as Kokoomus - the National Coalition Party) and most recently a director of the central bank, has proved remarkably calm, suggesting that the new government model could prove extremely durable.

A combination of the Conservative and Social Democratic parties might appear from the outside to be an unlikely basis for a new government, but the speed with which they united on a government programme and divided up the ministerial posts, and the ease with which they have compiled their first Budget, illustrates that the two parties have much more in common than a traditional analysis of the right-left political divide would suggest.

By the standards of Conservative Parties in most West European countries Finland's Conservatives would probably be more properly classified as a centrist party. It is the Centre Party with its roots in the rural areas that today is more representative of traditional conservative values in society.

The switch to a Conservative/Social Democrat coalition from the long-lived Centre/Social Democrat alliance also reflects the more profound shift in Finland over the last three decades towards becoming a predominantly urban society.

The Finnish constitution has also played an important role in ensuring political co-operation across the traditional right-left political divide, by requiring a qualified two-thirds majority rather than a simple majority on major issues, not least taxation.

For the Conservatives the election was a watershed in their fortunes, as they re-entered Government for the first time for 21 years, and it is the first time since the 1940s that they have held the office of Prime Minister.

Led in the election by Mr Ilkka Suominen - Mr Holkeri had handed over the party reins as long ago as 1979 - they emerged as the main victor gaining nine seats, while the Social Democrats lost more than 100,000 votes and one seat.

The Social Democrats remained the largest single party, however, with 56 seats compared with 53 for the Conservatives, 40 for the Centre Party, a gain of three, 13 for the Swedish People's party, a gain of 2, and 9 for the Rural Party, a loss of 8.

The present coalition parties claim 131 of the 200 seats in parliament, just short of the full two-thirds majority but facing a splintered opposition.

One of the major fears expressed about the non-Socialist Government alternative was that it would radicalise left-wing opinion in the country and would create a united parliamentary opposition capable of blocking any major reform initiatives, and could lead to serious disturbances in the labour market.

Such is the extraordinary calm that has descended on Finnish politics since the election, that the outcome of next spring's presidential election is already taken for granted. Any result but the re-election of President Koivisto, a former Social Democratic Prime Minister, would be a monumental political upset.

The only excitement remaining is whether he will receive the necessary simple majority of the popular vote to ensure immediate election, or whether the outcome will have to be decided by the traditional election college.

**Kevin Done**

## Banking

# Free-for-all tussle

FINNISH BANKS are adjusting to the liberalisation of the financial markets coupled with increased international activities which have forced them to rethink their strategies. Real competition between banks has started with the bottom line getting more attention than ever before.

Strange as it may sound, the situation is new to Finnish banks. Only five years ago the banking scene was dominated by the two equally big and powerful rivals, Kansallis-Osake-Pankki (KOP) and the Union Bank of Finland (UBF).

Most of Finland's larger industrial companies used one of them as the house bank. Now, with liberalised lending rates and new money market instruments dotting the landscape, Finnish banking has become a free-for-all. Companies shop around for best terms for credit and deposits while banks now see their interest rate margins squeezed in the grips of increased competition.

**Deposit Banks as at December 31 1986**

| | Number of Banks | Number of Branches | Employees | Balance Sheet FM (m) |
|---|---|---|---|---|
| Commercial Banks | 10 | 933 | 18,281 | 218,763 |
| Savings Banks | 241 | 1,326 | 10,560 | 59,475 |
| Co-operative Banks | 370 | 1,228 | 7,819 | 54,831 |
| Postipankki | 1 | 50 | 6,030 | 48,929 |
| Total | 622 | 3,537 | 42,690 | 381,998 |

**Commercial Banks as at December 31 1986**

| | Number of Branches | Balance FM (m) |
|---|---|---|
| Kansallis-Osake-Pankki | 464 | 84,675 |
| Union Bank of Finland Ltd | 439 | 88,516 |
| Ålandsbanken Ab | 21 | 1,421 |
| Peruspankki | 1 | 1,002 |
| The Central Bank of the Savings Banks | 3 | 23,497 |
| The Central Bank of the Co-operative Banks of Finland Ltd | 1 | 19,488 |
| Citibank Ltd | 1 | 1,302 |
| Indosuez Osakepankki | 1 | 839 |
| Midland Montagu Ltd | 1 | 76 |
| PKbanken International Ltd | 1 | 24 |

KOP and UBF have felt the effects of competition probably more than any other player. For years they were able to rely on tax-free deposits as their main source of funding. Now more than half of the funding comes from the money markets. And credit has to be sold, not granted as in times when the Markka was a scarce commodity.

Meanwhile other banks, such as the savings bank group Skopbank, the cooperative banking chain Okobank and Postipankki, the post office bank, are all actively wooing blue chip clients.

Furthermore, their operations in the international capital markets have increased and become more complex. In fact, the biggest banks do not separate their domestic and international operations any more.

Still, if the changing environment has brought problems for KOP and UBF, that is exactly how they want it. For years the two have urged the Bank of Finland and other authorities to speed up the liberalisation process. And they still think there is room for more steps to be taken.

The two large commercial banks would like to abolish the cartel that still regulates the interest on deposit accounts. The subject is linked to the unique system of tax-free deposits which provides banks with cheap, subsidised funding.

Skopbank and Okobank, which encompass a wide network of independent local banks, strongly oppose abolition of the system since it would directly influence their funding abilities. KOP and UBF feel more secure since the banking groups could more easily spread money market funding throughout the branch network.

Increased competition has forced the biggest banks to modify their internal structures, too. UBF and KOP have established strong sectoral units, banks within the bank, to emphasise profit orientation.

With interest rate margins getting narrower the banks have turned to other sources of income. Various financial services now bring in more revenue than ever before. There is even talk of charging a customer for withdrawing money from his own account.

Skopbank, Okobank and Postipankki have also shed their old image of 'deposit takers' and actively play on the financial markets. Skopbank is second to none in its domestic capital market operations while Postipankki is very active in international capital markets, particularly in bonds.

In principle, the Government wants all forms of banking on equal footing. This will mainly affect the financial structure of the saving banks and cooperative banks. A new law on Postipankki will take effect as of the beginning of 1988.

New money markets instruments, such as certificates of deposits and commercial paper, have attracted all banks. Meanwhile they all profit from the capital market boom by operating on the Helsinki Stock Exchange.

The four foreign banks currently operating in Finland have also entered the money markets with vigour. All of them, Citibank, Indosuez, Midland Montagu and PKbanken of Sweden, concentrate on investment banking trying to find their own niches.

For the moment money market trading has proved to be one of the most profitable activities for foreign banks. In addition they are active in foreign exchange and capital.

As one Finnish banker put it recently, "competition among banks has not increased during the past twelve months. It has only started now". The next step KOP and UBF will face is competition against other stock market quoted companies.

Liberalisation has not adversely affected their bottom-lines, but neither has it done anything to their dividends. The banks still pay the same dividend no matter what the net result.

**Olli Virtanen**

## Capital markets and stock exchange

# Share prices soar

FINLAND'S CAPITAL markets have witnessed a small revolution during the past two years. Share prices and the turnover of the Helsinki Stock Exchange have rocketed as investors awash with cash have chased a limited number of stocks.

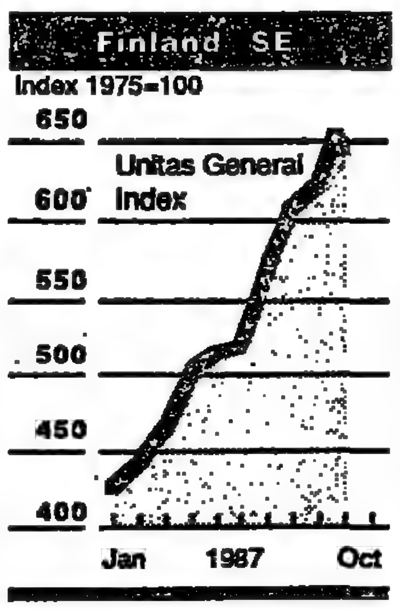
Yet the biggest rally may still be ahead. Options have become a hot issue even before the first deals have been made. Two competing options exchanges were established at about the same time at the end of September and most analysts expect a boom when they begin to operate.

In sheer numbers the development of the Helsinki Stock Exchange during the past two years has been almost unbelievable. Take turnover, for example. In 1985 the total value of the shares traded was FM3.1bn ($702.9m), this year it is expected to rise to FM22bn.

The same applies to the share prices. They rose an average 65 per cent in 1986 and by the end of September this year the index had gone up by another 51 per cent. Market capitalisation of the HSE rose from FM30bn at the end of 1985 to FM90bn in September 1987.

The underlying reasons for the boom are obvious. First, most of Finland's economic indicators spell good times ahead. GDP will grow by at least 3 per cent this year; exports to the West will flourish and even the stagnating trade with the Soviet Union is picking up, although slowly.

The Markka is strong and tax reforms have left Finns with more of them in their pockets.




Deregulation of the financial markets have also made people more conscious of the various new investment alternatives.

The stock market itself has also heard a lot of good news lately. The first unit trusts have started operations this autumn. The average net income of the listed companies is estimated to grow by 30 per cent this year compared with 1986. And then a number of new entrants will probably be listed in the near future.

These include one or two state-owned companies, possibly within the next 8-12 months, and Sampo, the large mutual insurance company, which is in the process of transforming itself into a listed limited liability company. All this is good news for the average investor, but at the same time the rally has given a bad name to the markets.

Finns now call it the 'Casino economy'. Much of the boom, and the nickname, is attributed to 'investment companies', firms usually established by one or two individuals for the sole purpose of trading securities. More often than not these firms operate on money borrowed from banks which accept up to 80 per cent of the value of the securities as collateral.

While these companies have prospered with rising share prices, their shaky ownership structure may speed the fall of the market when the prices hit their peak. Options and warrants (which in Finnish language also translate as 'options') also fuelled the casino image.

First, companies discovered bonds with warrants as an ideal way to raise money at interest rates as low as two to five per cent. With warrants attached at the time of the stock market boom, the issues were a phenomenal success among investors. Some of them reportedly even spent a night outside bank offices to make sure of getting a piece of the action.

Most issues were oversubscribed many times. Two had to be withdrawn and redistributed when a computer failed to cope.

Until now some FM2bn worth of bonds with warrants have been issued this year with more in the pipeline. These bonds may be good for the issuing companies but the HSE is not entirely pleased. Bonds with *warrants do not alleviate the* lack of material, which has contributed to the rocketing prices. There are only 53 companies currently listed on the HSE, only three more than in 1960. Meanwhile the number of stockbrokers has increased from 11 to 21 including two foreign banks, Citibank and Midland Montagu.

The real options fever culminated in late September when Union Bank of Finland, Skopbank and the brokerage firm Kuninkas announced that they would set up an options exchange and invited other banks and brokerages to join them with a minority shareholding.

This antagonised other banks, most notably UBF's main rival Kansallis-Osake-Pankki, which emphasised a need for all parties to act in unison. Neither of the exchanges has started trading, yet, but the situation at the beginning of October resembled that in Stockholm, where two options exchanges compete in a relatively small market.

Despite its handicaps the Helsinki Stock Exchange, and the country's capital markets as a whole, have reached a level of maturity which is comparable with other West European countries. Price-earnings figures of five, which were common on the HSE only a few years ago, are now a thing of the past and the average ratio has climbed closer to 15. Liquidity has also increased rapidly. The average annual turnover of shares was seven per cent of the shareholders' equity in 1985. This year it is expected to rise to 25 per cent.

Foreign investors have also noticed that one can get rid of Finnish shares without disturbing the markets. An example of this is George Soros, the fund manager dubbed as the most succesful investor on Wall Street, who has sold off practically all his Finnish holdings worth an estimated $200m during this year.

**Olli Virtanen**

## Profile: Postipankki

# A privileged role

POSTIPANKKI, FINLAND'S post office bank, is undergoing changes which well summarise the liberalisation of the whole banking industry. In principle, authorities acknowledge the advantages of free competition but more often than not they stop short of going the whole way.

From the beginning of next year, Postipankki will be a limited liability bank, and, in effect, Finland's third commercial bank. But it will still enjoy privileges which are bound to irritate its competitors.

Established in 1886, Postipankki has traditionally been a government agency operating as the main vehicle for transactions to and by the state. Thanks to its convenient branch office network in connection with the country's post offices, Postipankki also attracts private depositors.

During the past few years, however, the bank has become more or less a direct competitor to other banking groups. One of its guiding principles is to be 'the second bank' for clients who have a tight house bank relationship.

The more active Postipankki became the more other banks, most notably Union Bank of Finland and Kansallis-Osake-Pankki, the two leading commercial banks, voiced concern of what they claimed were its unfair advantages.

First, the banks complained, Postipankki did not have solidity requirements since, according to the Postipankki Act, it operates under the responsibility of the state. Secondly, its role as the distributor of and depositor for the state's transactions was seen as unreasonable.

At the same time the Bank of Finland continued to liberalise the money markets. Regulations gave way to market forces and competition between banking groups increased. So, it was only logical to bring all forms of banking onto equal footing.

The Government left a proposal to amend the law on Postipankki to the parliament in mid-September. Under it Postipankki will become a state-owned commercial bank with maximum share capital of FM500m ($113.6m). The Government will initially subscribe all the shares, and in the long run retain at least 51 per cent of the share capital.

Despite good intentions, the proposal plans to leave Postipankki with privileges which are strongly opposed by other banks. First, Postipankki would continue to carry out all the Government's payment transactions, although payments to the state coffers could be channelled through any bank.

**Mr Heikki Tuominen**

Secondly, the equity of the Investment Fund of Finland (IFF), a state-owned financing vehicle administered by Postipankki, would be transferred to Postipankki Ltd. This would give the new commercial bank FM1bn worth of extra equity capital.

Thirdly, the state would still continue to provide limited guarantees, totalling one half of the combined equity capital of IFF and Postipankki.

The bank dismisses the accusations of unfair advantages. Running the state's payment transactions is a non-profit operation, claims Postipankki's chairman, *Mr Heikki Tuominen.*

The strategies of the bank, says Mr Tuominen, will not change because of the new law. It will continue to develop its operations as a commercial bank, what it has effectively been for several years.

The effects of the laws are mainly confined to the bank's administration. On the other hand, the bank will now be able to acquire more capital for further expansion.

Postipankki's assets at the end of 1986 totalled FM49bn which makes it about half as big as its main rivals, UBF and Kansallis.

Mr Tuominen will retire in February 1988 at the age of 67. He will be replaced by Mr Seppo Lindblom, a member of the board at the Bank of Finland. He is a Social Democrat and he was Minister for Trade and Industry in Finland's previous government.

**Olli Virtanen**

Profile: Kemira

# Finland's Triple A success story

THERE IS something contradictory about Kemira. The company enjoys a virtual fertiliser monopoly in Finland and yet, it is one of the country's most internationally orientated enterprises. It is state-owned but is still one of the most active and innovative companies in foreign capital markets.

The company's history makes a similar contrast. Since it was established in the 1920s Kemira has grown steadily without much competition in the fertiliser business. But during the past five years its turnover has grown almost three-fold to the estimated FM8.8bn ($1.95bn) in 1987 mainly through acquisitions outside of Finland.

In 1982, Kemira had production units only in Finland. Today some 40 per cent of its turnover comes from foreign plants. The brand new head office in Helsinki bridges the two extremes Kemira has to deal with.

Its products are based on nature and they end up with farmers aiming to improve the yield in the harsh Nordic climate. On the other hand, the company officials shuttle between financial centres to tap funds for new acquisitions.

The acquisitions since 1984 include the British paintmaker Donald Macpherson Group (turnover $190m), Esso Chemiein Holland ($185m), the titanium oxide business of American Cyanamid ($160m) and the Belgium fertiliser operations of Sociata Ganaral ($290m).

In addition, Kemira has formed a joint venture fertiliser company with the Danish Superfos.

All that has made Kemira the number two fertiliser company in Europe and the fifth largest titanium oxide producer in the world. "Size does matter, at least in this business", says Kemira's chairman, Mr Yrjaa Pessi. Fertiliser business is all about volume, and synergy also plays an important role.

In the chemical industry waste from one process can be utilised in the next. And that explains the various branches Kemira has grown. Its core business, fertilisers and pesticides, now accounts just 48 per cent of the total turnover.

Pigments (18 per cent), paints (16 per cent), fibres (7 per cent), industrial chemicals (4 per cent), biotechnology (4 per cent) and explosives (3 per cent), all have their roots in the original business idea.

With a market share of 99 per cent in the domestic fertiliser business Kemira enjoys a unique position. Its pricing policies have been criticised but the few private entrepreneurs who have tried to penetrate the market with imported products have not been succesful.

"We try to keep it that way", says Mr Pessi, "not by protectionism but by increasing our competitiveness". Partly through its well-secured position, Kemira has been able to finance its acquisitions with relative ease.

Its net interest expenditure will be just 29 per cent of the operating profit this year, down from 41 per cent in 1982. Capital investments will total FM1.9bn ($430m) this year, up from FM1.7bn in 1986. Furthermore it has actively tapped international money markets.

It has launched a number of eurobonds in currencies best suited for its foreign acquisitions. With a triple A owner (the state of Finland) behind it, Kemira has sold the paper at relatively low interest.

The owner does little to enhance Kemira's success. The company regularly pays an 11 per cent dividend which is more than it gets back in increase in the share capital which currently stands at FM488m. Lately, however, the Government has indicated willingness to allow some state-held companies, including Kemira, to sell shares to private investors.

Kemira will probably take Tikkurilan Vaaritehtaat, the paintmaking subsidiary, to the stock market as soon as the Ministry of Trade and Industry will give the green light. The move would entail only a partial privatisation with the state maintaining a majority.

Growth, says Mr Pessi, is an aim in itself for Kemira. And at the same time it means expanding more in international markets. The 'monopoly business' brings in only one fifth of the total revenue. Now the company depends more on research and development as well as shrewd business decisions.

**Olli Virtanen**

In Helsinki, the sea front is never far away

Profile: Wartsila

# Adapting to changing trends

WARTSILA'S shipbuilding and manufacturing operations have shaped the coastline of Helsinki more than any other company. During the past 12 months it has continued the process by closing down one Helsinki shipyard and building a luxury seaside hotel in another location in the capital.

Meanwhile the company itself has been shaped by trends in the shipping industry. Dwindling orders both from the West and the Soviet Union forced W aartsila to join forces with Valmet, another Finnish metal and engineering company.

The two merged their respective shipbuilding and paper machinery divisions into two jointly owned companies with Wartsila controlling shipbuilding with 70 per cent of the stock while Valmet runs the paper machinery company with a 65 per cent shareholding. Soon after the mergers at the beginning of this year Wartsila closed down one major shipyard in an eastern suburb of Helsinki.

Since then Wartsila Marine has received a number of important orders, including two luxury cruise liners from the United States, one from Norway and 11 cargo vessels from the Soviet Union. Still, the young company will make a substantial loss this year, say Wartsila.

Sea Goddess I, built by Wartsila, visiting London

New orders are more than welcome to Wartsila to keep the present 8,000 people at its main shipyards in Helsinki and Turku fully employed. Yet, realising the doldrums in the industry the Wartsila Group now puts emphasis on its other business sectors.

In 1986 shipbuilding accounted for 47 per cent of Wartsila's consolidated net sales of FM6.1bn ($1.4bn). This year Wartsila Marine's sales figure will drop to just over FM2bn, even though it includes Valmet's former shipyards. This means that the group turnover for this year will fall to about FM5bn and the loss of the Marine division is likely to make a dent on the group's results.

Wartsila's other business sectors are diesel engines (17 per cent of net sales in 1986); sanitary systems (10 per cent; security systems (7 per cent); tableware (4 per cent) and factory automation (0.5 per cent). The fastest growers will be the diesel engines and the factory automation divisions.

Every division has production units outside Finland. They account for some 20 per cent of the total group sales which is about as much as the revenues generated in Helsinki.

In addition to being the world's leading builder of cruise liners and passenger vessels (30 per cent global marketshare) as well as icebreakers (60 per cent) Wartsila Marine can also boast one of the finest locations in Helsinki.

The Hietalahti shipyard is situated right in the centre ofthe town. So much so that Helsinki city officials have tried to move the facilities elsewhere in order to make room for a seaside housing development.

That would not be the first time that Wartsila's properties were converted from factories into flats. Some ten years ago it moved a paper machinery plant from another beautiful seaside location. The vacated land was developed into an urban - and controversial - housing complex in Helsinki.

Wartsila has no intention of giving up the Hietalahti yard, a site of shipbuilding since the 18th century. But at the same time Wartsila, relatively liquid despite problems in shipbuilding, is developing another vacant seaside location. Next to its relatively modest headquarters, just a slingshot from the heart of Helsinki, Wartsila is building a luxury hotel.

The hotel will face a boat marina and its 200 rooms are to be built to five-star standards. The hotel will be leased to Finnair who will operate it under the Inter-Continental banner.

According to Wartsila's information chief Mr Ari Valjakka, the diversion from metal and engineering industries is not as big as it looks. 'The hotel will be just another luxury cruise liner but this time it doesn't move'.

Although it is one of Helsinki's biggest and best-known industrial firms, Wartsila is still proud of its modest roots. The official domicile of the group is a small commune on the easterr border of Finland called Vartsila (population 950).

**Olli Virtanen**

Living in the city

# Comforts by the sea

WE SPENT one night at a party eating crayfish and drinking too much wine and Aquavit, by candlelight. Outside the wall-length, double-glazed picture window, yachts rode at their berths in the bay between us and the centre of Helsinki.

We could see the golden onion dome of the Orthodox Cathedral, and the lighthouse beacon on the nearby island fortress of Suomenlinna.

We were indulging ourselves and feeling comfortable, which is very easy to do in Helsinki. It is indeed a bourgeois town which, given a longer summer, might be close to paradise.

Helsinki's size, its green openness, the waterscapes and the outcrops of bedrock give the place a raw, frontier feel, so that with all the birch and maple and pine trees, it could be Canada, or the northern US.

The impression is heightened by the 15 TV channels available in much of the city, mainly through satellite and cable, and mostly broadcasting Anglo-American pap. Teenagers dress in jeans and leather; some cruise around in Fifties Buicks, eat in the brash hamburger bars, speak with American accents, listen to rock and roll and watch Crocodile Dundee and Radio Days.

It is a modern city with all the amenities, and its services, social and cultural, are of a high standard. The capital is expensive to live in, especially for food and housing, but it is comfortable, accessible and - in summer - a beautiful place to live.

I do not drive a car but I can rely completely on the transport system. Buses are punctual and comfortable, there are new trams and, under ground, a metro line that is only five years old.

It costs me just over FM100 a month (about £14) to travel throughout the capital and if I need to I can summon an expensive taxi, probably a Volvo or a Mercedes. When we were ready to leave the party at 2.30am one arrived within five minutes.

When my younger son cut his head and had to be taken to hospital, I called a taxi instead of an ambulance and Social Security reimbursed me.

The hospital we went to looked faded and run down, and we had to wait about an hour for attention, but then he wasn't seriously hurt. They patched him up and we came home by taxi too, also paid for by the State.

Probably because women are such a prominent part of the workforce, they make sure that children are looked after. Both of mine went off to full-day play schools at the age of one year - and my fears that they would become institutionalised zombies proved unfounded.

**The idyllic bourgeois life in Helsinki lacks only a longer summer to come close to paradise**

Children in Finland start real school late, at the age of seven, and there is almost no choice outside the state-run comprehensive system. This is a sore point with those who wish the decade-old system were less monolithic. There are charges that it caters to the dullest, but then Finns take education - especially received learning - in deadly earnest.

My 10-year-old son spends four or five hours a day at school and brings home about an hour's worth of homework. His education will probably be narrower than if he were in Britain, but he should have a deeper grasp of what he does learn.

Languages figure heavily in the curriculum. He is doing Russian, but English is by far the most popular with the Finns. And statistically he will have a much better chance of getting to university than if he were in England.

From Helsinki's ambivalent climate you need escape. Notwithstanding some magnificent, though short, summers when there is light in the sky constantly from May to August, the icing-cake winters are too long. So Finns take at least a month off a year, including a week for skiing each winter, and more and more head off abroad, for the sun.

Still, high prices apart, Finns in Helsinki believe they live in paradise, and with some reason. The services work and the people must be among the most trusting and trustworthy in Europe. As a friend said: 'It's a very unthreatening place.'

Yet the Finns remain shy, insular folk, difficult to reach and with an infuriating ability to turn their backs on the world. Their passion for order and orderliness, their seriousness, their instinctive reverence for authority, are traits that are often blamed on their Russian colonial past; but their stubborn individualism is as likely to come from their roots and their yearnings for the countryside as from their history.

It is these obvious conflicts of identity: spontaneity versus authority, the town versus the backwoods, the indigenous versus the foreign, that make Finns worry about losing their *suomalaisuus*, their Finnishness. It is a word ever on their lips and in the media.

They want the trappings of materialism, and they are acquiring them at a more rapid rate than any country in Europe, but they are not sure if their own culture can withstand the onslaught.

**Joseph White**

# THE ARTS

## Photography/Gillian Darley

# Rodger's magnum opus

For the stark truth, a single photographic image can be an infinitely more powerful weapon than metres of film or videotape. The retrospective exhibition at the Photographers' Gallery devoted to the work of George Rodger—one of the founding members of the Magnum co-operative, with Robert Capa, Henri Cartier-Bresson, David Seymour and Bill Vandivert—is proof of that. His images of wartime London report an ordinary life in extraordinary times.

In his photographs taken at the liberation of Eindhoven in 1944 George Rodger catches the hatred exposed as the lid came off. No constraint left, he showed members of the Dutch Resistance (men) dragging a collaborator (a well-dressed woman) along the cobbles. His Belsen pictures imprint their message another way. He photographed four plain, vacant-looking women; each one was a young SS guard, one unidentified, the others a hairdresser, a domestic servant and a textile worker. Alongside it is another picture, similar figures, taken from the back, as they prospect a ghastly heap of corpses.

He took no more war photographs after that visit. As the first photographer into Belsen, his own professional attitude had sickened him. "I knew something had happened to me and I had to stop." Thus the "after-the-war" pictures—Ascot, Glyndebourne and the *Chelsea Arts Ball—in 1946*—are more likely to be a dry, disillusioned look at the world trundling onwards than reassuring signals of an older order returning.

*George Rodger: Magnum Opus* (Dirk Nishen. £12.95 paperback, £19.95 hardback) reproduces in duotone much of this work, as well as photographs not in the exhibition, and includes a brief introduction to his work and career. Much of his post war work was in Africa; he photographed rain making ceremonies in the Sudan in the late 1940s, tribal rites in Uganda, and the Tuareg in the Sahel in the 1950s. It is all a vanished or profoundly shaken world, and a chilling *reminder* that destruction and disintegraton are the result of catastrophes in peacetime as much as war.

The most recent photographs in the exhibition were taken in Kenya in 1978 and are a straightforward record of a Masai circumcision ceremony.

The George Rodger exhibition is one of a number at the Photographer's Gallery, which now leap-frogs down Great Newport St, off the Charing Cross Rd, between numbers five and eight. There is a small show entitled *Who Runs Britain?* with portraits of the Cabinet taken by *Financial Times* photographers — just this once freed from the limitations of pink newsprint!

In the Tom Hopkinson Room is Daniel Meadows' *Suburbia*, an apparently fond and humorous exhibition marred by a snide commentary. Why should the foibles of those who choose to live in the suburbs be treated with such derision?

London in the Blitz, 1940, by George Rodger

## John Martyn/Hammersmith Odeon

### Antony Thorncroft

John Martyn is graduate of the Van Morrison School of Celtic Guitar Oddballs, which makes him balding, paunchy and theatrically erratic. With Morrison it usually works on stage because of the emotional intensity he brings to his music: Martyn, at the Odeon Hammersmith on Friday, often looked as if he would be happier back in the public bar.

It was a pity he delivered such a flat performance for, in a 20-year career, which started in the Glasgow folk clubs, he has created much good stuff, especially around 1970 when he helped to pioneer electronic folk with albums like *Stormbringer*. He later lost his way down the hypnotic echolex route, and it was this perverse Martyn who dominated a long, rambling, track down memory lane.

Sometimes it began to hang together, as with the mesmeric "Dealer," but Martyn's laid-back, almost comatose approach does not work well in a big theatre, especially when he has lumbered himself with a five-piece band, taped back-tracks, and two girl singers who hop up and down like window cleaners. The audience remained stubbornly sedentary and even his solo spot failed to bridge the emotional gap. Martyn still polishes up his social conscience, but a new song, "Grey Man," about a Sellafield worker, discovered him musically at sea in these modern times. He also seemed reluctant to let rip on the guitar solos. The best part of the evening was playing the albums later.

Supporting Martyn on tour (he is at the Town and Country tonight and tomorrow) is Cry no more, a band which incorporates remnants from an old country rock group, the Strawbs. Despite the political posturing of their title song, the band seems to have a good ear for a tune.

## Architecture/Colin Amery

# The potent vision of Hugh Ferriss

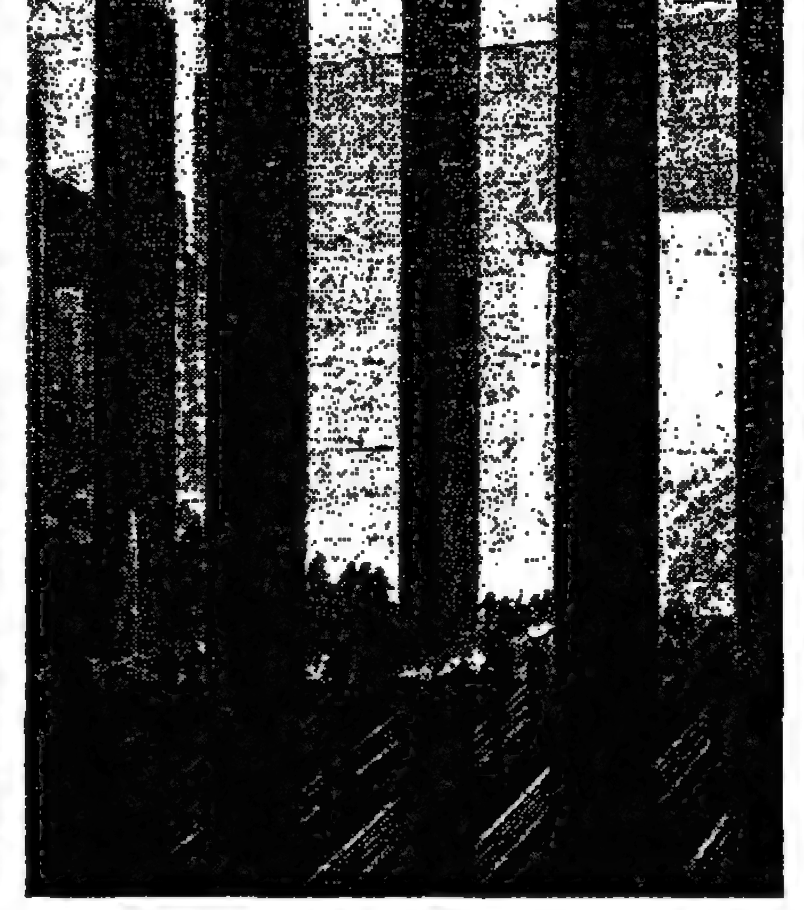
Hugh Ferriss was an architect, a city planner, an architectural perspectivist and a visionary. Born in St Louis in 1889, he died in 1962 and is principally remembered as an American artist who drew memorable evocations of the skyscraper. Once you know his work it is hard to look at a city, particularly New York, without sharing his extraordinary sense of urban drama. Like Piranesi, Ferriss has the capacity to endow architecture and places with a *presence* beyond their physical substance.

It is a privilege to be able to see a magnificent exhibition of his drawings in London, at the Architectural Association until October 31. These drawings were shown in New York and Paris and it is much to the credit of the Architectural Association to have secured them.

That Ferriss was a man with a vision is clear from his two books: *The Metropolis of Tomorrow*, published in 1929, and much later, *The Power of Buildings* in 1953. He both drew and prosyletised while he was building his vision, working first of all as an architect for Cass Gilbert on the earliest of New York's major skyscrapers, the Woolworth Building.

Ferris was thought to have been critical of Cass Gilbert's Gothic tower, although he was fascinated by the soaring nature of the building type. There is a drawing in the AA exhibition of a towering structure simply entitled "Philosophy." Almost mystical, certainly fundamental to his thinking, this potent talisman has to be seen as much more than a mere rendering of a tower: the skyscraper has become power, material progress and symbolic of modern man's conquest of materials.

He also felt he had a missionary role that, as an artist, he should help architects to get their designs built: "Not all architects who design well can draw well," he wrote. He was able to evoke a finished building and suggest its powerful atmosphere from a set of plans; sometimes he could effectively conjure up a whole segment of a city. From his Beaux Arts beginnings Ferriss broke away as a young student to draw the Larkin Office Building in Buffalo, New York—a pioneering design by Frank Lloyd Wright which he called a "powerful and forthright mass."



Steel Porch—one of Hugh Ferriss's visions of the future on view at the Architectural Association, London

In 1916 the zoning laws were introduced in New York and they had an immediate and remarkable effect on new buildings, particularly skyscrapers. Ferriss produced a series of drawings to show the effects of these ordinances. The bulk of the skyscraper was contained by the limitations put upon its height, with specific setbacks to allow light and air to reach the occupants. The basic form that this law appeared to demand was a pyramid shaped building, massive and solid upon the ground but soaring upwards to a slender top.

It was not just the shape of the buildings that interested Ferriss—he explored also the structural potential of steel. In many of his visionary drawings he sees both the possibilities and limitations of the material. The somewhat cubist qualities of his architectural designs when extended to the height of a skyscraper seemed to prophesy great gatherings of high towers—as indeed were to be *built at New York's Rockefeller* Centre.

It is unlikely that we would share Ferriss's rapt enthusiasm and romantic joy that his drawings clearly convey about the modern city. We have seen the reality—although of course we have also seen the powerful beauty of a city like New York. The potency of Ferriss's vision of an imaginary metropolis, where mountainous peaks of building rise from the level plain of six-storey constructions, still colours the view of some architects when they contemplate the city. And who is to say that this towering vision is entirely wrong: planned and sited well, high buildings add enormously to architectural pleasure.

(London's Dockland redevelopment sadly lacks scale and the grand gesture and it will be particularly sad if the romantic and evocative plans by Philip Johnson and John Burgee for a great riverside palace is rejected by the doctrinaire Docklands Development Committee this week. Their pinnacled and towered range of stone and granite is in the grand Ferriss tradition; and large scale with a good skyline should have been the norm in Dockland, where far too much of the development is decidedly unheroic.)

Of equal interest at the exhibition are the almost abstract carbon pencil renderings of mammoth Tennessee Valley dams, and an unearthly view of the giant Hoover Dam on the Arizona-Nevada Line. Bulbous fuselages of aircraft and the angularities of Frank Lloyd Wright lend themselves equally well to the Ferriss treatment. His work shows the visionary power of architecture—something we have almost forgotten today.

★

Also exhibiting at the AA is the American artist Mary Miss. Her work is hard to classify because *her constructions* are large enough to be environments in themselves; they are more than sculptures, but less than buildings. For the AA show she has built a construction in Bedford Square—which is a good example of her work because it is a very humane *creation: her own response to* Bedford Square with its private and enclosed garden. A timber circular walkway surrounds a rock filled circle divided by a meridian: it is all about being in a place and in that place defining your own perception of the world.

*Her work* is asking and answering some of the questions that the British artist Richard Long has been tackling in his work. Like him, Mary Miss walks the mountains of the world and makes map and takes photographs and synthesises her experiences of the land *into her work. It is powerful* stuff, and in tune with the problems that face architects—concentrating the essence of places into a new creation.

★

This week (October 12-18) is City Churches Week—and a chance to see two architectural exhibitions in fine settings. Throughout the week, *Architectural Settings for Worship* can be viewed at St Andrew-by-the-Wardrobe and *The Life and Work of Henry Yeveley* (builder of the nave of Canterbury Cathedral) at St Magnus-the-Martyr.

Tomorrow, Tuesday at 5.15 pm at St Clement Eastcheap, a talk will be given by Gavin Stamp entitled "The Wren churches of the City and what we have done to them." The week also gives a good opportunity to inspect the magnificent restoration of St Stephen Walbrook — Wren's finest design.

## Norrington/Festival Hall

### Andrew Clements

Playing Beethoven's Violin Concerto and Fifth Symphony is as sure a way as any of selling out the Festival Hall on a Saturday evening. But the Philharmonia's programme offered no simple box-office fodder. If nothing else, the orchestral layout — double basses positioned upstage behind the first violins, cellos next to firsts, violas and seconds opposite them—would have alerted the most casual concert-goer that something out of the ordinary was in prospect.

Roger Norrington's concerts and recordings with the London Classical Players have explored a vital and thoroughgoing approach to period Beethoven performance; conducting the Philharmonia in the same works confronted him with a whole separate set of problems. No question of coaching the Philharmonia in the ways of authenticity in a single set of rehearsals; instead a creative compromise, with the adjustments to layout and hence the tonal balance, but conceived strictly in terms of a wholly modern sound, metal-stringed, Boehm-systemed.

Such amendments would be merely cosmetic had they not been harnessed to a musical imagination of genuine originality. Norrington's launching of the concerto was mesmerising—extremely measured, riven with silences, and defined by an absolutely precise control of texture, with instrumental detail refined in a chamber-like way. It compelled attention by its lack of insistence, and within such a frame Salvatore Accardo's neutral, technically lucid account of the solo part seemed perfectly judged. It did not attempt any kind of dramatic realisation of the concerto's dialectic, but its thorough examination of the concerto's potential as sound and colour proved equally challenging. What could have lapsed into a soporific meander through the byways of a familiar work was transformed instead into an act of imaginative reclamation.

The territory marked out for the Fifth Symphony was less unexpected. Perhaps its most surprising feature was Norrington's omission of the first exposition repeat: the movement was articulated instead by a nervous energy which spilled over into the slow movement—the key of C minor made to yield up all its neurotic intensity. The Scherzo (given with its full repeat) maintained the tension and led to a transition of delicate half shades—with textures of such refinement, the smallest gesture was made to tell. Less scope for re-invention in the finale, but superb flair in the presentation of the main theme, and consistently excellent orchestral playing. "Revelatory" is an over-used description of performance, but Norrington's Beethoven is very special, and presented entirely on its own terms.

### David Ian to star in "Time"

David Ian is to take over from David Cassidy as "The Rock Star" in Dave Clark's musical *Time* at the Dominion Theatre on October 26.

## Joan of Arc/Glasgow Citizens'

### Michael Coveney

Schiller's *Die Jungfrau von Orleans* is a book of revelations in this new translation and production by Robert David MacDonald at the Glasgow Citizens'. The play does not pre-empt Shaw by positing a case for Joan's integrity or moral piety. It emerges, rather, as a disturbing, tempest-tossed case history of a national heroine struggling with her own sense of personality in conflict with the demands of destiny.

Across three hours of utterly enthralling theatrics, Charon Bourke's uncouth swaggering country girl accepts and then rejects her historic role. She appears to be the inmate of a sanatorium, dressed in a baggy striped suit, a uniform of madness and criminality. Captured by the English, she dons a brown overcoat on which is stuck a yellow Star of David. Joan is transformed from Resistance heroine to scapegoat of the Occupation.

The updating to the occupied France of the 1940s is an imaginative ploy that simultaneously dissolves the objections to the historical inaccuracies of Schiller's play and exploits the nationalistic potency *of the Joan legend. Although* Schiller's Joan is not burned at the stake, Mr Macdonald superimposes a brutal execution on her battlefield expiry and leaves her breaching the celestial rainbow ("the pain is short, the joy is everlasting") as a group of gawping tourists *reach for* their cameras.

Schiller's play was written when her reputation was in abeyance and before the quest for historical truth was on. As interest in Joan grew, so objections to Schiller's dramatic liberties multiplied, culminating in Shaw's pompous allegation that Schiller drowned his heroine in a witch's cauldron of raging romance.

The sub-title is indeed "Eine Romantische Tragodie," but the Citizens have uncovered a vibrant strain of psychological anguish in the war games. Nowhere is this more pronounced than in the extraordinary second act sequence where Joan disregards the desperate pleas of the homesick English soldier Montgomery (Aaron Harris) and butchers him for being a blasphemous invader. Joan has stopped up all wells of sympathy in her nature and, as a result, must learn about herself the hard way.

This she does when unexpectedly smitten in battle with the English general Lionel (Ian Reddington) before the capture of Rheims. The great Act Four speech ("the storm of war is hushed; on every side singing and dancing follow the bloody fight. Streets hum with riot, arms are laid aside") signals her rejection of triumphalism *and emotional turmoil. Her* family, arriving like Shakespeare's Gloucester yokels for the big day in town, are at first greeted as yet more childhood apparitions. Her sheep farmer father (ruggedly played by Patrick Hannaway) denounces her as a devil, and the monarchist double act of Laurance Rudic's foppishly languid King Charles and Mark Lewis's explosively nasty Dunois expel her to the elements. Exiled to the madhouse, Joan's fellow inmate is a lunatic amalgam of the family of charcoal burners Harry Gibson capering dement*edly with much rattling of* chains and thunder sheet. The battles and exchanges become a livid nightmare for a girl whose faith, not in God, but in the truth of her cause, has simply collapsed.

The virtuosity and beauty of Schiller's blank verse is well honoured in the translation, which follows the basic principle of pentametrical groupings toughened by run-on clauses at line endings. Mr Hannaway's Thibaut is interrupted by Talbot's famous death scene. Such passages are instinct with poetic sensitivity and Mr MacDonald rises magnificently to the challenge.

After the Citizens' own *Mary Stuart* and the Royal Exchange's *Don Carlos*, the British theatre, encouraged by the Goethe Institute, may at last be said to have done some *justice to a great European* dramatist. It is thanks to this brave, uncowed production, and Stewart Laing's setting of it in a bombed-out white-tiled institution encased beneath great scaffolded platforms and stairways, that the exercise proves so much more than merely dutiful.

An exemplary, very strong Citizens cast falls with relish on the material, none more so than Julia Blalock as a gun-toting cinematically vampish Queen Isabeau, and Anne Lambton as Agnes Sorel, the king's mistress here rendered a more decorative upmarket version of Dame Hilda Bracket.

## London Camerata/St. John's

### David Murray

London Camerata, now three years old, is a chamber orchestra of young professionals. On Saturday at St John's, Smith Square, they had a guest soloist of their own generation, the pianist Kristin Merscher, who chose an appropriate concerto—young Mozart's K 271 in E-flat, the first of his keyboard concerti to reveal an original authority.

Miss Merscher made a great impression a couple of Leeds Competitions ago, when she was only 17. She has not been marking time since then: with her first entries in the concerto of Mozart's novelties here was to give the piano a share in the opening theme; she established a strong personality and a commanding share in the music. Big tone (though no more than the concerto deserves), great rhythmic verve, lively imagination; if the high drama of the Andante was lightened a degree too much by her tingling despatch, the closing Presto was irresistibly bright, clean-fingered and witty London orchestras must invite her back more often.

Paul Hilliam conducted with polished deference, a quality rather too evident in the purely orchestral part of the programme. Arensky's pretty Variations after Chaikovsky were delivered with grace; a Handel Concerto Grosso and Haydn's "La Chasse" Symphony were smoothly shaped and balanced. Good sense and excellent preparation were apparent, but nothing much like a real, immediate kick, no spur-of-the-moment inspiration. Hilliam's conducting technique (he is in the first instance an oboist) is so far plain and not very fluent—all right for rehearsals, too limited for confidently free performing. There is more exuberance in the Handel and especially in Haydn's finale, than he made register. The actual playing was always of a satisfyingly high standard.

## Saleroom/Antony Thorncroft

# Nostalgia and snuff

The most newsworthy auction of the week takes place in the garden of Wilsford Manor, near Stonehenge in Wiltshire on Wednesday and Thursday. Wilsford witnessed the birth, and the death 80 years later, of the Hon Stephen Tennant, the aesthetic child of Lord and Lady Glenconner. He devoted himself to toying with the arts, from poetry, to dance, to painting, to an uncompleted novel, and the flimsy droppings from his talent come under Sotheby's hammer, along with the contents of the rather dilapidated house.

Tennant was the great friend of Cecil Beaton and a collection of his photographs of Bright Young Things at Wilsford in the late '20s, along with busts of Tennant by Epstein, represent the only real works of art among the nostalgic paraphernalia.

Tobacco reached China around 1600 and snuff taking became all the rage at the Imperial Court soon after. The Manchus, who conquered the land in the 1640s, picked up the habit, and for the next 250 years snuff-taking became a national pastime. The Chinese kept their snuff in bottles, which reached their peak of elegance in the late 18th century before mass production set in during the next century. There is a small and keen coterie of Chinese snuff bottle collectors and they should enjoy a busy week with Christie's holding sales today and Sotheby's tomorrow.

Christie's is offering the collection of the late Eddie Dwyer of California who had one of the best groups in the world. Among the 200 lots an imperial Beijing yellow carved glass example, with the mark of the Emperor Qianlong, is expected to make around £20,000. Sotheby's has the second part of the Eric Young collection, which includes a glass inside painted portrait bottle by Ma Shaoxuan, signed and dated 1911, with a portrait of the young emperor and a top estimate of £15,000. However, the great majority of snuff bottles sell for well under £1,000.

Sotheby's is holding an auction of modern British paintings, drawings and sculpture on Wednesday which provides good opportunities to acquire the work of contemporary artists at prices that are often below those asked by their galleries, Ruskin Spear, Frederick Gore and Elisabeth Frink are among the RAs on offer.

★

Sotheby's sold the costume collection of Mary Vaudoyer for £99,511 at Monaco on Saturday. The total was just below the target. The much touted beaded dresses of the 1920s failed to attract much interest, mainly because they usually lacked designer labels. The fine conditioned, branded, outfits of the 1940s, '50s and '60s did best.

A Jacque Fath black sheath gown of around 1948, in mint condition, made the top price of £4,440. Couturiers from Balenciaga and Yves Saint-Laurent were in the audience (along with Mary Vaudoyer), bidding for their earlier creations.

# Arts Guide

Music/Monday Opera and Ballet/Tuesday Theatre/Wednesday. Exhibitions/Thursday A selective guide to all the Arts appears each Friday.

October 9–15

## Music

### LONDON

**Guiseppe di Stefano** sings Neopolitan songs and operatic arias to commemmorate the 10th anniversary of Maria Callas' death. Elizabeth Hall (Mon). (928 3191).

**Leningrad Philharmonic Orchestra**, conductor Mariss Yansons, Sergei Stadler violin. Prokofiev, Mendelssohn, Tchaikovsky. Royal Festival Hall (Tue). (928 3191)

**English Chamber Orchestra**, conductor Hans Vonk, Thomas Allen, baritone: Haydn, Mozart, Stravinsky. Elizabeth Hall (Tue).

**London Symphony Orchestra**, conductor Maxim Shostakovich, Mstislav Rostropovich, cello: Bernstein, Britten, Dvořák. Royal Festivel Hall (Thur).

**Borodin String Quartet**: Borodin, Shostakovich, Tchaikovsky. Elizabeth Hall (Thur).

**City of Birmingham Symphony Orchestra**, conductor Simon Rattle, Maria Ewing, soprano: Mozart, Strauss, Stravinsky. Barbican Hall (Thur). (638 8891).

### NETHERLANDS

**Amsterdam, Concertgebouw**: Leonard Bernstein conducts the Concertgebouw Orchestra with Lucia Popp, soprano, and Andreas Schmidt, baritone: Schubert, Mahler (Wed, Thur). Recital Hall: Cherubini Quartet (Mon, Wed). *Shostakovich Quartet*: Borodin, Schumann, Shostakovich (Thur). (71 83 45).

**Utrecht, Vredenburg**: The Hague Philharmonic conducted by Alain Lombard, with Marc Laforet, piano: Debussy, Ravel, Tchaikovsky (Tue). The Hague Conservatory String Orchestra under Lev Markiz: Greig, Britten, Dvořák (Wed). Pierne's Croisade des Enfants with the National Philharmonic under Jaap Hillen, massed choirs and soloists (Thur). Recital Hall: Shostakovich Quartet: Shostakovich, Stravinsky, Tchaikovsky (Wed). (31 45 44).

**Groningen, Oosterpoort**: Noel Lee, piano: Gottschalk, Copland, Gershwin, Debussy (Tue). (13 10 44).

**Eindhoven, Schouwburg**: The Gelders and Brabant orchestras conducted by Georges Octors, with Jean-Jacques Kantorov: Scriabin, Tchaikovsky, Stravinsky (Thur). (11 11 22).

### WEST GERMANY

**Frankfurt, Alte Oper**: The Vienna Symphony orchestra conducted by *Gerd Albrecht, with violinist Ulf* Hölscher, play Beethoven and Dvořák (Sat).

### PARIS

**Les Musiciens Amoureux**: Gala evening with the Columbus Day Concert: Bartok, Johnson, Ellington, Bernstein (Mon). Théâtre des Champs Elysées (4723 4777).

**Ensemble Intercontemporain** conducted by Peter Eötvös: Brian Ferneyhough, Goffredo Petrassi, Luciano Berio (Mon). Théâtre du Rond Point (4261 5675).

**Orchestre de Paris** conducted by Daniel *Barenboim: Mozart's chamber* music (Tue). Théâtre des Champs Elysées (4723 4777).

**La Grande Ecurie et la Chambre du Roy** with the Nord-Pas de Calais Choir conducted by Jean-Claude Malgoire: Charpentier's Vepres Solennelles (Wed). Saint-Louis des Invalides Church (4230 1516).

**Ensemble Vocal Jean-Pierre Lore**, Orchestre Francais d'Oratorio conducted by Jean-Pierre Lore: Mozartissino (Thur). Saint-Roch Church (4261 9326).

### TOKYO

**Tokyo Symphony Orchestra** conducted by Ilarion Ionescu-Galati, piano Ran Zemach: Enesco, Bartok, Dvořák. Tokyo Bunka Kaikan (Mon). (362 8784).

**New Japan Symphony Orchestra**, conductor Seichi Mitsuishi with Harumi Hanafusa, piano: Mozart, Bartok, Sadao Bekku. Tokyo Bunka Kaikan (Wed). (985 4836).

**NHK Symphony Orchestra**, conducted by Miltiades Caridis with Radu Lupu, piano: Skalkottas, Bizet-Schredin, Brahms. *NHK Hall* (Wed, Thur). (465 1788).

### CHICAGO

**Chicago Symphony** (Orchestra Hall): Margaret Hillis conducting, Gary Bachlund tenor with Chicago Symphony Chorus. All-Levy programme (Thur). (485 8111).

### NEW YORK

**Merkin Hall** (Goodman House): Eric Stumacher piano recital. Jon Deak, John Steinmetz, Bartok, Schoenberg, Prokofiev (Mon); Sylvan Woods. *Arthur Weisberg* conducting. Francaix, Milhaud, Stravinsky, Weill (Tue) 67th w of Broadway (362 8719).

**Kaufmann Hall**: Olli Mustonen piano recital. Bach, Schumann, Shostakovich, Mustonen, Prokofiev (Tue). 1395 Lexington Av. (831 8603).

**New York Philharmonic** (Avery Fisher Hall): Felix Kruglikov conducting, Miriam Fried violin. Brahms, Shostakovich (Wed, Thur). Lincoln Center (874 2424).

### WASHINGTON

**National Symphony** (Concert Hall): Tamas Vasary conducting, Nancy Crutcher Tunnicliffe bagpipes. Mozart, Davies (Thur). Kennedy Center (254 3776).

**Central Philharmonic of China** (Concert Hall): Li Delun conducting, Jian Wang 'cello: Berlioz, Elgar, Dvořák (Mon). Kennedy Center (254 3776).

## Theatre

### LONDON

**Antony and Cleopatra** (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine *revival* of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

**The Phantom of the Opera** (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

**The Balcony** (Barbican): Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes. (628 8795).

**Melon** (*Haymarket*): Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings, not vintage Gray. (930 9832).

### NEW YORK

**Fences** (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

**Cats** (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Elliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

**A Chorus Line** (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

### TOKYO

**Les Misérables**. *After* London and New York, now Tokyo and the Japanese version of the Tony-award winning musical The cast was hand-picked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Miserables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

### WASHINGTON

**Red Noses** (Goodman): The American premiere of Peter Barnes' medieval vaudeville comedy pits Father Flote (Ivar Brogger) against the plague with his remedy of humour. Ends Oct 31. (443 3800).

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Monday October 12 1987

# Vancouver and South Africa

COMMONWEALTH leaders meeting in Vancouver tomorrow face a formidable combination of challenges. They are confronted by the seemingly intractable problem of South Africa, a crisis in Fiji, and a deteriorating situation in Sri Lanka, where another Commonwealth member, India, plays a vital peacekeeping role. Vancouver must produce a constructive response to all three issues if the credibility of the institution is to be sustained.

However it is South Africa, and the impact of Pretoria's actions on the rest of the region, which remains the most pressing test of the Commonwealth's capacity to influence events. Two years after its leaders held their last summit, 16 months after a special seven-member meeting was convened in London, and the collapse last year of negotiating initiatives mounted by the Commonwealth and the European Community, there are few grounds for believing that the South African stalemate is significantly closer to a resolution.

### *Welcome reforms*

Although some welcome reforms have been introduced, progress towards an egalitarian society is very slow. The pillars of apartheid remain intact and President P. W. Botha, returned to power with an increased majority after last May's all white elections, seems no nearer to constitutional talks with representative black leaders. Encouraging developments, such as the meeting in Senegal earlier this year between a group of prominent Afrikaners and the African National Congress, appear offset by the rise of the extreme right Conservative Party.

It's a record which provides material for both sides in the sanctions debate at Vancouver. Proponents of further measures will doubtless argue that the selective steps which have been taken by the United States, the European Community and some members of the Commonwealth are inadequate. Their view is that if sanctions are to be an effective signal to Pretoria of growing Western anxiety they must be stepped up.

One does not need to wait for Vancouver for the British response. Mrs Margaret Thatcher will assert, as she did at the London meeting of May last year, that turning the screws on Pretoria drives the government and its supporters into a laager, and exposes the vulnerable black-ruled states of southern Africa to retaliation—a point which presumably Mr Robert Mugabe, the Prime Minister of Zimbabwe, and President Kenneth Kaunda of Zambia, took into account when they had second thoughts about reducing their ties with South Africa.

If Vancouver is not to be a sterile exchange of well-established views, both sides will have to agree to differ on the merits of sanctions but act together on a strategy on which there is already a considerable measure of agreement: the need to assist the southern African states in their efforts to reduce trade and transport links with South Africa.

The framework is already in place. As far back as 1980 nine black states in the region (Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe) formed the Southern African Development Co-ordination Conference (SADCC) which set as one of its priorities the rehabilitation of the railways and ports of Mozambique as an alternative to the South African outlets.

### *Main backer*

Pretoria appears to have been making every effort to disrupt these efforts by its role as the main backer of the rebel Mozambique National Resistance (MNR), whose targets include the roads and railways which serve the hinterland, and a vital oil pipeline to Zimbawe.

Several Commonwealth countries, including Britain, are already supporting SADCC projects. But the Vancouver meeting (which Mozambique will attend as an observer) offers a valuable opportunity to discuss ways in which further practical assistance can be provided to the region.

# A question of responsibility

When a company makes serious losses and shows no sign of recovering from them the man at the top is usually held responsible, and may be removed from office. When one of the company's subsidiaries makes a serious operational error, causing the death of a large number of its customers does responsibility also go all the way to the top? This issue is raised in an acute form by the case of the cross Channel ferry Herald of Free Enterprise which sank on March 6 with the loss of 188 lives. Pressure on the Director of Public Prosecutions to bring a charge of "corporate manslaughter" against the ship's owners is increasing.

The question of just where corporate responsibility lies, in a company or in specific individuals, remains generally unresolved. In the Herald of Free Enterprise case the purchase of the original owning company, European Ferries, by Peninsular and Oriental Steam Navigation six weeks before the disaster has further confused matters. The chairman of P&O, Sir Jeffrey Sterling, thinks that responsibility for the tragedy rests squarely on the shipboard staff who failed to close the bow doors, thus allowing water to rush in and capsize the ship. Those individuals have already been publicly criticised for negligence, and may be subject to further proceedings.

### *Inquest verdicts*

The blame runs higher than shipboard management, according to Mr Justice Sheen, who chaired the public inquiry into the disaster. He was critical of several named directors of operating subsidiaries of European Ferries. But all the relevant directors and senior managers of Townsend Car Ferries, the directly responsible subsidiary, have now left the company. If they were to be prosecuted they would presumably face charges as individuals. Sir Jeffrey is reportedly opposed to a "witch hunt" against them. But it is clear from the evidence at both the inquiry and the subsequent inquest, which last week returned verdicts of "unlawful killing," that the system of monitoring the state of the bow doors was inherently unsafe.

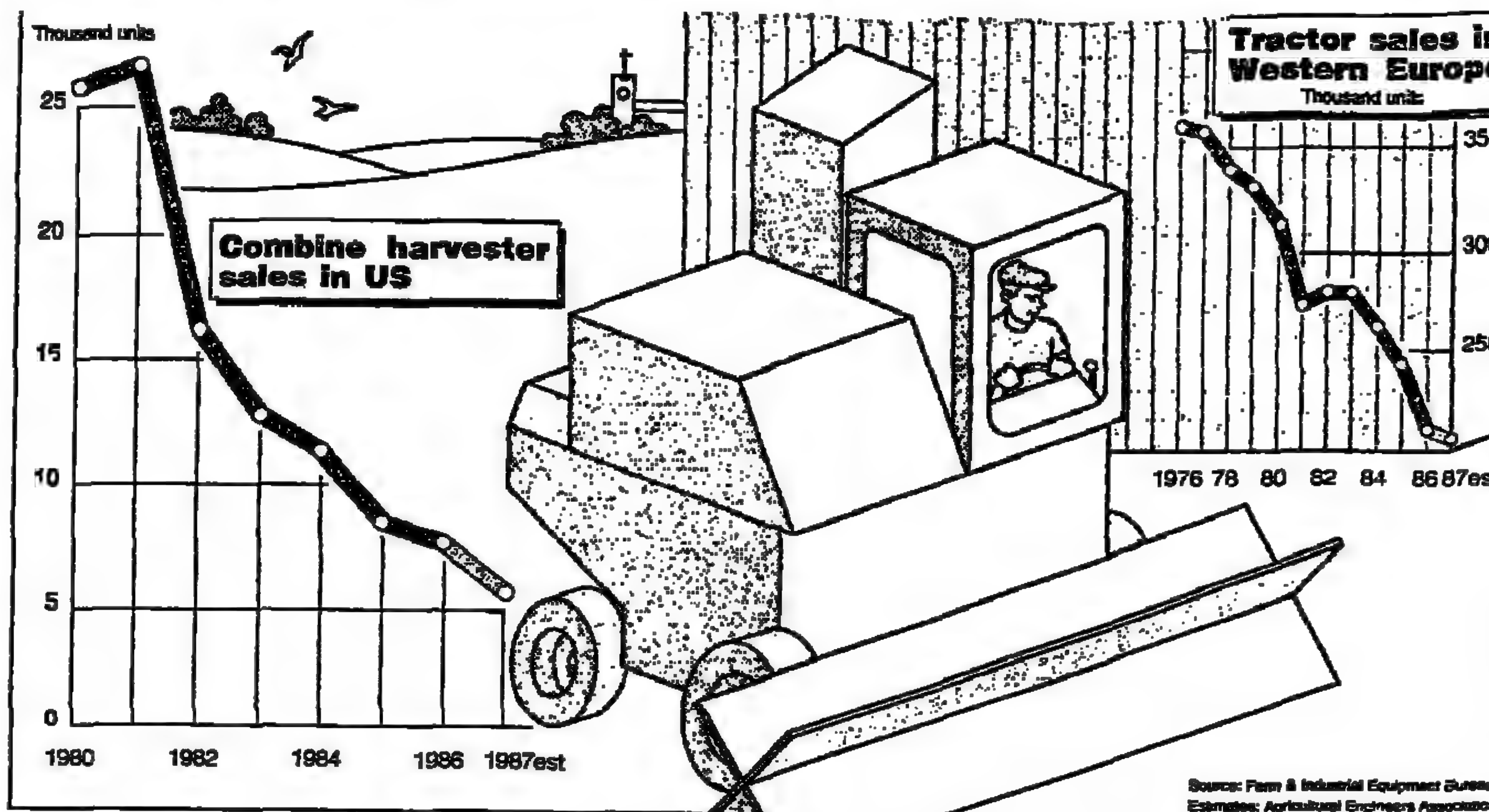
Whatever statute law may hold, it seems reasonable to assume that natural justice would require a transport company to ensure that its systems were safe. In the lay view such a company is contractually obliged to do everything possible to protect the lives of its passengers. There is implied recognition of this in P & O's willingness to pay compensation to relatives of the victims at a higher level than is required by the letter of the law—although it is possible that the amounts offered may yet be tested in court. A more difficult issue is the corporate responsibility of P & O itself, as the holding company at the time the ship capsized.

### *Recently purchased*

This responsibility cannot be abrogated on the ground that European Ferries was so recently purchased P & O became responsible for the lives of Townsend Thoresen passengers at the moment it became the owner of European Ferries.

There are three levels of authority here, involving the crewmen on the ship, the directors and senior managers of the subsidiary who were responsible for laying down safety procedures and ensuring that they were carried out, and the parent company. In the light of the verdict at the inquest it is for the Director of Public Prosecutions to decide what further action, if any, should be taken at any of these three levels. But it is both morally right and sound business sense for the parent company to acknowledge its responsibility not only for compensating the victims, but for the managerial and operational errors which led to the accident.

## WORLD AGRICULTURAL EQUIPMENT




# Still stuck in the mud

By Nick Garnett

THE BOARDROOMS of the world's farm machinery makers have not been happy places in recent years. The decline in the market for tractors and other equipment has proved more dramatic than that experienced by almost any other industry—leaving machine makers in a decidedly gloomy mood.

Last year was the tenth successive year of shrinking demand. Tractor sales in the west fell 13 per cent—a far worse figure than expected—while sales in North America dropped to little more than half the level of the late 1970s. Western Europe fared equally badly.

Now, at last, the agricultural machinery business is getting a breather. The large markets of the west have steadied and sales are expected to be only marginally lower this year than last.

Massey-Ferguson, the farm machinery arm of the Canadian Varity Corporation and the world's biggest tractor producer, is forecasting a western world market for tractors of about 605,000 units in 1987, representing only a modest decline from last year's 611,000. But the 1985 figure of 682,000 is still well out of reach and no one is yet predicting that the market has bottomed out. Nonetheless, this year has come as a relief to Massey and the four other big manufacturers—Ford New Holland, John Deere and JI Case of the US, and Fiat of Italy—as well as to the smaller European suppliers of farm machinery.

The structure of the industry has changed fundamentally under the combined pressures of the US farm crisis, the Third World's liquidity problems and the uncertainties of the European Community's farming regime. The extent of the reorganisation in the industry—which has involved mergers, acquisitions and internal restructuring among the producers—is only beginning to emerge.

With rich corporate parents or indulgent governments to support them, hardly any have gone out of business. But with much of the farm machinery manufacturing sector still making a loss, few are feeling optimistic. Most are gearing up for many more years of bitter fighting for their share of a market which is expected to recover only sluggishly at best.

Several companies have reacted to the nightmare of overcapacity and low or non-existent margins by fleeing North America for lower-cost havens in Europe. Since the early 1980s, Ford, Case and Massey, for example, have either stopped making tractors in the US altogether or cut production there to a fraction of its former level.

Ford's decision last year to close its sole remaining US tractor plant at Romeo, Michigan, and move output to Basildon, Essex, nearly completes this process. Taking tractor production in North America and Europe as a whole, Europe accounted for 76 per cent of output in 1980, according to one industry estimate. By last year it had jumped to more than 90 per cent.

There the similarities between company strategies end. In the struggle to gain an edge on its competitors, Ford—the world's second largest tractor maker with a 12 per cent market share last year—decided that it could either bail out of the market altogether, or get in more deeply. In the absence of a suitable bidder for its business, it chose the latter course.

Under president and now chairman Bob Moglia it has been digging in deeper and deeper. Its purchase from Sperry last year of New Holland, the harvesting equipment and combine manufacturer, put it on the road to being a full-line agricultural machinery maker. This was underscored this year with the acquisition of Versatile of Canada, taking Ford into the high horsepower, four-wheel-drive market for the first time.

The main aim of these purchases was to enable Ford to exploit dealership chains in geographic areas where it was weak.

Like Ford, Case has become even more deeply committed to the farm supply business. It has done so through one huge acquisition by its parent, Tenneco—the $489m (£298m) purchase of International Harvester's farm equipment operations three years ago. The purchase put Case into the world's top five with a market share in tractors of about 9 per cent.

In the past two years, Case's strategy has been to engage in some of the fiercest price discounting seen in the industry in an attempt to retain market share while carrying through a major rationalisation programme. The aim is to achieve a decisive cost advantage over it competitors.

"The idea is to keep the heat on everyone else in this business," says Mr Dick Seagrave, vice president for Case's farm and construction machinery production in Europe.

The company's commitment to the business was further underlined this year when it acquired Steiger of the US, giving it, like Ford, a range of large-horsepower four-wheel-drive tractors.

Massey, which had an 18 per cent share of world tractor sales last year—and which was for many years the archetypal global, full-time producer—has taken the opposite tack. It has been shedding business and outsourcing an increasing amount of its non-tractor farm equipment.

Most strikingly, it is now buying in all combines for its European customers from a Danish supplier. And while Varity has formed a new company making combines in Canada for the North American market, it has only a minority shareholding in the concern.

John Deere, with just over 10 per cent of worldwide tractor sales, has adopted a different strategy again. It has forged increasingly close links with Japanese producers, in particular Yanmar which provides Deere with a full range of small tractors, under 30hp.

Most major tractor makers have signed similar deals with the Japanese; but Deere has followed this strategy even more assiduously than the others, in a bid to defend its pre-eminence in the US market. This market has swung violently away from big machines — as a result of depressed farm incomes —and towards compact tractors enjoying booming demand in horticulture and for the maintenance of golf courses, municipal parks and private gardens. Out of 109,000 tractor sales in the US last year, 62,000 were machines of under 40 hp, according to the Farm and Industrial Equipment Bureau.

Unlike the other North American producers, Deere has not fled its home. It has plants at Mannheim, West Germany and in France. But it has kept largely intact its production base in the Midwest.

"Deere has never had the same global view of the world as Massey," says one industry observer. "So long as its people in Europe turn in a reasonable performance it leaves them alone."

Staying in the US carries a cost penalty. Labour rates are $15 an hour at Deere's big plant in Moline, Illinois. Industry observers put total costs at nearer to $28 an hour, but Deere says this figure is "a little on the high side." In the UK, labour costs are between a third and a half those in the US.

Deere's competitors are waiting for it to follow the drift to Europe. The company replies: "We do not close the door on any option but we have no plans for major changes.

"We have positioned ourselves to be profitable at current levels of business." That has included cutting its workforce from 65,000 to 37,000 in the past six years.

The European farm machinery industry has also been engaged in restructuring. A few of the smaller European producers have disappeared into bigger companies. For example, Fiat purchased Braud, a French manufacturer of grape harvesting machines two years ago. The world's biggest independent combine maker, Claas of West Germany, has been kept in Claas family ownership—but it has been forced to shed labour and is suffering poor profits.

The most striking European development occurred this year when Deutz, the west's sixth largest tractor producer and the second biggest supplier in its domestic West German market after Fendt, announced a major marketing and development agreement with Mercedes-Benz. Deutz and Mercedes will also jointly develop a new range of tractors to be made at the Deutz plant at Cologne. This looks likely to spell the end of tractor making at the Mercedes plant in Gaggenau while Deutz dealers say the Mercedes brand name, MB Trac, will disappear.

Despite the changes, producers are still confronting grim-looking balance sheets. Massey, Ford and Deere will again make a loss this year, though Deere blames a first-quarter labour strike.

Because of the astonishing resilience of the industry, there has been virtually no change in relative shares of the world tractor market. Almost no one, save International Harvester, has quit the market. The only other well-known manufacturer to have withdrawn in recent years is Leyland in the UK. European producers like Renault in France and Steyr in Austria have sustained their commitment through times of loss. As a result, the market remains crowded and some tractor plants are still working at half capacity.

Industry observers are speculating over whether the true aim of Tenneco, and its chairman Jim Ketelsen, is to create some elbow room in the market. "Why did they spend all that money buying International's business?" says one industry manager. "Sure they are doing a great job lowering their cost base through rationalisation, but I think Case really wants to push someone right off the map. You have got to say that the intended victim is probably Massey."

Case is circumspect in its reply to such suggestions: "We are just getting on with the business of making ourselves the best and lowest-cost producer in the business," Mr John Borden, executive vice president for marketing at J. I. Case, said earlier this year.

Massey is suggested for the role of sacrificial lamb partly because of the gradual fall in the importance of agricultural machinery within the Varity group. Varity's purchase last year of Dayton Walther, an automotive and building industry supplier, reduced its dependence on agriculture to 55 per cent of corporate revenue, a point enthusiastically made in Varity's last annual report.

Mr John Sword, Massey-Ferguson's new president, does not believe that Case is deliberately trying to wreck a competitor. "I would be surprised if that was Case's strategy. There are more corporate graveyards created by doing that than by just about anything else." He denies that Varity is getting out of the business. "I think everyone will stay in the industry."

Massey though has recently separated its operations into profit centres and these will be expected to turn in profits or further cuts could be in prospect. But the company continues to demonstrate its strength, introducing 17 new models last year, including a new range of tractors packed with electronics.

While the industry's traditional foes continue to confront each other across the marketplace, a new factor has appeared on the horizon. The Japanese, dominant in compact machines but not big producers of mid-weight equipment, are showing increasing interest in larger bread-and-butter tractors.

Kubota is now making tractors up to 85 hp at a former Motor Iberica plant in Spain which it purchased last year. Iseki, Japan's number two tractor maker after Kubota, says it wants to set up a plant in Europe. Meanwhile, Ford has begun taking some transmissions from Kubota in a deal which some of Ford's competitors say gives the Japanese another in-road into the industry.

North American and European tractor makers do not believe that the Japanese are a major threat. Kubota has not got very far in North America after two years of marketing its big tractors there. But with the industry in its present state, the arrival of anyone new would be the last thing to be welcomed by established producers.

# Men and Matters

MOSCOW, OCTOBER 11

## Gorbachev's sober influence

Chief among the changes Lenin would notice if he returned today to his home town of Ulyanovsk, other than that it is now named after him, is that you can buy drink on only three days a week, and then only for two hours in the morning between 10 and 12.

The partial prohibition on hard liquor, introduced by Mr Gorbachev in 1985 just after he became Soviet leader, is still probably the aspect of perestroika (restructuring) which has had the most impact on everyday life.

It is now more difficult and expensive to drink yourself into a stupor. The death rate fell by 20 per cent in 1986 compared to the previous year and Gorbachev claims that 300,000 Russians are alive today because of the restrictions on buying alcohol.

More mysteriously, but also partly related to alcoholic consumption, a survey on how to improve the Soviet diet revealed that journalists and cooks have the shortest lifespan in the Soviet Union, and artists and priests the longest.

"I said no good would come of this glasnost policy—now even the space monkeys are getting out of hand"

Anecdotal evidence largely confirms that people are drinking less. One worker said that in his bus depot the heavy drinkers—and a Russian heavy drinker is everybody else's idea of an alcoholic—drank as much as ever. But those who drank the occasional glass of vodka before, now find it too expensive and time-consuming to buy a bottle.

The other side of the coin is the increase in bootlegging and home-brewing. Over half a million stills for making samogon (moonshine) have been voluntarily surrendered in the Ukraine alone since 1985.

On a visit to a village near Moscow in August, Gorbachev accused farmers who complained of a shortage of sugar for jam-making of using the sugar as the raw material for spirits. He said that only enormous samogon production explained why Soviet sugar consumption is up 14 per cent over the past year to 44 kilos per head annually, compared with 29 kilos in the US.

Samogon-making is more complicated in the cities, where police have confiscated stills which are masterpieces of ingenuity. One man, often away from home had built a fully computerised still which performed all operations automatically, and another, yet more inventive, had made a perfectly effective still out of a vacuum cleaner.

## Sound basis

One reason for supposing that Mr Gorbachev may succeed in his reconstruction drive is that Brezhnev is not a hard act to follow. A good example of this is the treatment of the seven million Soviet citizens who are deaf.

At present, there is exactly one special shop (in Moscow) for the sale and repair of hearing aids in the whole of the Soviet Union. If you live in the city of Irkutsk in Siberia you will probably have to do without. The director of one kindergarten for deaf children in the city said that he had only 24 hearing aids for 95 children.

The reason for the shortage is simple enough: a shop which buys a hearing aid from one of the three factories which make them must pay 75 roubles (£75) but the price to the customer is 35 roubles. Not surprisingly, shops have little desire to keep them in stock.

Once in possession of a hearing aid, a deaf person may not find that the troubles are over. One elderly woman, writing from an invalid home, complained recently that batteries are only on sale every six months and last three/four days.

## Open question

Soviet writers and journalists still do not know the limits of glasnost (openness) but they have an interesting time finding out.

Roy Medvedev, the distinguished dissident historian who used to have two policemen encamped on the staircase outside his apartment, was asked to write an article for Komsomolskaya Pravda earlier this year. His chosen topic was a notably unsympathetic account of the present condition of Galina Brezhnev, the daughter of the late leader, now fallen on hard times after many years leading a notably bohemian life style while her father was in power.

Komsomolskaya Pravda baulked at this, though Brezhnev's 18 years in power are now known simply as "the years of stagnation." Indeed, according to one Soviet magazine, letters and telegrams have been pouring into the Communist Party headquarters in the town of Brezhnev from inhabitants who demand that their town be allowed to revert to its former simple, but distinctive, name of Naberezhnyye Chelny.

Moscow intelligentsia are waiting to see if Nikolai Bukharin, the most famous of the old Bolsheviks executed by Stalin in 1938 after a show trial, will be rehabilitated to coincide with celebrations of the 70th anniversary of the 1917 revolution.

It seems likely he will. Bukharin, who once described himself as "the worst organiser in Russia," was never really a political alternative to Stalin but his name has become the symbol of a Communist Party which tolerates greater intellectual diversity.

Just how much diversity is still an open question. Intellectuals of an older generation who remember the end of the Khrushchev thaw in 1964 have spasms of pessimism. Younger writers are much more optimistic.

A problem is that so many of the officials who flourished under Brezhnev's rule are still in business, though now noisily whistling a different tune. "Glasnost and perestroika introduced. Await further orders," one provincial party chief is said to have telexed Moscow.

## Pan stir

The latest addition to the small number of reasonable restaurants in Moscow is the "Riviera" on board the cruise ship, Alexander Blok, moored to the north bank of the Moskva river opposite the Ukraina hotel, easily recognisable as one of the seven skyscrapers built by Stalin in Moscow.

All food, including the salad, is flown from Paris; all bills must be paid for in hard currency; and a bottle of Chateau Margaux costs 102 roubles (£102).

Two days after arriving in Moscow, Marc Trevoux, the manager, was last week still recovering from the shock of finding that the restaurant kitchen had been provided with only two saucepans, one of which had a large dent in the bottom.

**Observer**

# War of words over the wasteland

## A legal battle over who pays for pollution damage begins in the US today. Nick Bunker reports


THERE HAS never been anything quite this big in San Mateo County, California.

This morning, on San Francisco Bay's southern shores, 64 attorneys will gather to begin the trial of the Rocky Mountain Arsenal case. The climax of one of the decade's most important insurance lawsuits, the trial will be a huge legal show-down between Lloyd's of London, the international insurance industry and Texas-based Shell Oil, part of the Royal Dutch/Shell group.

The case is of awesome complexity and its wider implications may be profound. Shell has sued about 260 insurance companies and Lloyd's syndicates, from which it bought insurance cover between the early 1950s and the late 1970s.

If Shell wins, its insurers may have to help pay for the clearance of hazardous chemical waste dumped on the Arsenal, a 27-square-mile site ten miles outside Denver, Colorado, where from 1942 until 1982 the US Army and Shell produced poison gas and pesticides. The clean-up could cost up to $2.8bn (£1.75bn).

So many law firms are involved that the judge has abandoned his usual courtroom in favour of a disused high school auditorium, rented for $6,000 a month and big enough to hold 28 counsel tables.

Some US insurers, insurance analysts and Lloyd's underwriters are already fearful of the outcome of this and similar cases. If they lose, then the insurance bill for cleaning up the estimated 24,000 hazardous waste sites in the US could exceed the billions of dollars the industry has already paid out this decade to meet damages claims by asbestosis victims.

The financial impact could be far worse, says Barbara Stewart, a New York insurance economist, because claims arising from asbestosis are spread over many years.

"This is immediate," she says of the toxic waste problem. "There is an urgent need to clean up these sites."

The case has arisen because of the US Superfund law, which was passed in 1980 and renewed in 1986. It obliges industrial companies to pay for compulsory clean-ups of hazardous waste sites, and they are now seeking indemnification from their insurers. Shell, for instance, filed its suit in October 1983, after receiving a clean-up demand letter from the US Department of Defence, which still has overall care of the Arsenal.

The diffuse character of the American civil justice system—split between 50 state jurisdictions and 100 Federal court districts—means that nobody knows how much hazardous waste litigation there is. Philip Matthews, an attorney with Hancock, Rothert and Bunshoft, a San Francisco law firm representing London underwriters in the Arsenal case, believes that six lawsuits have so far been filed against insurers in California alone.

A clear sign that the litigation is mounting came on May 8, when Westinghouse Electric sued more than 140 US and British insurers for the cost of cleaning 74 hazardous waste sites. So far, insurers are denying any liability for Superfund costs. "Westinghouse just further pointed out in European insurers' eyes the absurdity of the US legal system," says Mr Matthews.

At the heart of the legal debate over cases like Rocky Mountain Arsenal is a controversy over the meaning of insurance policy wordings used in the US since the 1940s.

Insurers say that the US insurance industry's standard comprehensive general liability (CGL) policy only covered pollution damages claims against a policyholder if the pollution was "sudden and accidental." On most hazardous waste sites, they say, the pollution was gradual, due to routine dumping which could have been prevented. In 1973, insurers revised the standard CGL policy to make the point even clearer.

Lawyers for policyholders say all this is nonsense. The insurance industry is "rewriting history" to suit itself, says Eugene Anderson, a New York policyholders' attorney. His strategy in Superfund cases is to dig up internal insurance industry documents from the 1960s to prove that old CGL policies did cover pollution clean-up costs.

He also feels that policyholders can back up their argument by citing a recent San Francisco court ruling in which Judge Ira Brown used the drafting history of CGL policies to expand widely the definition of insurers' liability to pay damages claims for asbestosis victims.

In fact, though, the case law over Superfund claims is embryonic and conflicting. This summer, Federal Appeal judges in Richmond, Virginia, ruled in favour of the insurance industry in another Superfund case—but such legal precedents are not binding on state courts. "These are uncharted waters," says Judge William Lanham, the California Superior Court judge in the Arsenal trial.

In spite of the legal uncertainties, the Arsenal case still stands out for its sheer scale and symbolic value. And while Shell's primary insurer from 1948 to 1975 was Travelers Corporation, a leading US insurance company, Shell's "real target is Lloyd's," says Mr Matthews.

The Arsenal began life soon after the Japanese attacked Pearl Harbour in 1941, as a munitions factory for the US Army Chemical Corps, making mustard gas, then nerve gas. In 1952, Shell bought a company that was producing pesticides there.

By 1962, when Rachel Carson published her book Silent Spring—one of the founding documents of the US environmental movement — it was already becoming infamous. Near the Arsenal, she wrote, "foliage turned yellow, plants failed to mature, and many crops were killed outright. There were reports of human illness."

Officials in the Denver office of the US Environmental Protection Agency (EPA) now estimate that the Arsenal site contains 16m cubic yards of soil contaminated by chemical wastes. The EPA says so much earth is affected that if one dump truck loaded up with soil every minute, 24 hours a day, it would take 2½ years to clear the place—though, of course, the operation is far more complicated than that.

At the heart of the Arsenal is Basin F, a shallow 93-acre pond. It is awash with 2m noxious-smelling gallons of rainwater and toxic chemicals, which seep through the earth into ground-water draining towards the South Platte River. "A duck that lands on Basin F does not fly away," says Connally Mears, the EPA's site officer.

**Numbers of hazardous waste sites identified for "national priority" remedial action by the US Environmental Protection Agency**

| | |
|---|---|
| New Jersey | 100 |
| Pennsylvania | 80 |
| Michigan | 69 |
| New York | 67 |
| California | 63 |
| Minnesota | 40 |
| Florida | 39 |
| Wisconsin | 33 |
| Ohio | 30 |
| Indiana | 29 |

*Source: EPA report, July 1987*

To clean the whole Arsenal could take until the year 2000, he says—at a cost perhaps as low $360m or as high as $2.8bn, depending on the removal methods. The figures are all "just different scenarios costed out by the US Army," says Mr Mears. Nor is the Arsenal America's most polluted site. "There are mining sites in Montana where the waste is scattered 100 miles down river," he says.

The immensity of the reclamation task is matched by the complexity of the litigation. Lawyers in the Arsenal case have taken depositions from 30 Lloyd's underwriters, including Sir Peter Green, Lloyd's of London's former chairman. Judge Lanham has had to read 90 files devoted to documents in the case, each one containing more than 500 pages. He says the trial may last between six months and a year.

There is a further complication, typical of Superfund cases. In San Mateo, Shell is simply asking for a "declaratory judgment" that its insurance policies did cover waste clean-up costs.

The question of how far Shell was to blame for the pollution is, however, being decided in a separate Colorado action which has yet to come to trial. There the US Army is suing Shell, Shell is suing the US Army and the state of Colorado is suing both of them for damaging natural resources.

Whatever the outcome, hazardous waste removal raises deeper questions in some minds. They concern the real scale of America's environmental pollution problem and, not least, the ability of traditional insurers to act as the nation's risk-carriers.

One side-effect of cases like Rocky Mountain Arsenal has been a drastic shrinkage in the amount of liability insurance available for pollution-prone industrial companies, says Bob Mason, an EPA official in Washington DC.

As of March 1987, only four US insurance companies would agree to be included on an EPA list of insurers willing to offer environmental impairment liability cover for operators of hazardous waste disposal sites. "The danger is that a lot of essential sites will just be forced out of business," says Mr Mason.

There are still question marks, too, over how many old sites need to be reclaimed and how big the bill will be—in spite of a decade of work by the EPA.

Public anxieties over the pollution threat posed by toxic waste were first aroused in the late 1970s by cases like Love Canal, in upstate New York, where a community had to be evacuated after years of hazardous waste dumping had contaminated ground-water.

The Superfund law was the chief Federal response. It empowered the EPA to clean up hazardous waste sites with the help of a fund now set at $8.5bn, financed mainly by taxes on petrochemical production, and then to recover the money from "potential responsible parties" such as Shell or Westinghouse.

Already the EPA has 1,000 sites on a national priority list of locations scheduled for urgent Superfund clean-up, but it says the number may ultimately double, with an average cost of $8m each. However, the EPA's figures have been disputed by the US congressional Office of Technology Assessment, which says eventually there may be 10,000 sites on the priority list costing perhaps $100bn to reclaim.

Some of the EPA's worst fears for the future — shared, perhaps, by some in the insurance industry — were highlighted at the Butler Tunnel in Pennsylvania. Russell Train, a former EPA administrator, says officials believed leakage had stopped from the tunnel, which drained abandoned coal mines.

Then, during floods, contaminated waste spilled into a nearby river. "Haunting Superfund is the nightmare of spending millions to clean a site, then discovering the clean-up is far from permanent," says Mr Train.

## Lombard

# How to rate the universities

By Michael Dixon

MINISTERS could easily win applause in the year when the UK's educational expenditure first overtook spending on defence. Every repetition of the news was guaranteed loud cheering. Although education's lead was slender — £2.3bn against defence's £2.25bn—it was spoken of as "a landmark in the nation's civilised progress." Nobody seemed to question why the country should congratulate itself merely for spending so much money. In the late 1960s, it was regarded as self-evident that outlay on education must produce an ample return.

Two decades on, with the outlay running at over £16bn a year, the mood has changed with a vengeance. The Government has enshrined "value for money" as a condition of educational institutions' public funding. Even the universities will no longer be paid just for being there. All elements of the state education service will be expected not only to deliver a worthwhile return but to show that they do so. As a result, the development of so-called performance indicators is now a hot topic at every level of education.

The Government evidently sets particular importance on the provision of such indicators for universities and polytechnics. A White Paper published in April said that both types of institution must do more to assure the public of their value. Establishing yardsticks for polytechnics would be a priority job for the new council funding the polys after their removal from local authority control. In the universities' case, the Committee of Vice-Chancellors and Principals and University Grants Committee were proposing to publish indicators both of efficiency such as staff/student ratios and of effectiveness in terms, for example, of the occupations taken up by students after graduating.

Many university dons nonetheless resist the idea that appropriate performance measures can be devised for their institutions—as the Financial Times knows full well. Since 1973 we have printed an annual table ranking universities by the percentage of their new bachelor-level graduates who were not employed six months after taking their degree. The ranking, which is compiled from officially published information, has never failed to draw protests from academics on numerous and varied grounds.

One frequent objection is that graduates' success in the employment market depends partly on ungovernable factors, and it is wrong to measure universities by criteria subject to influences beyond their control. The same sad state of affairs applies to the criteria by which companies are judged. Why should higher educational institutions be exempt from similar treatment? Another criticism is that published figures on which the table is based are not audited, and so almost certainly contain discrepancies. While that is true, the jobs-market performance of graduates reflects importantly on the education they have received. The fact that the institutions choose to avoid auditing costs is no reason for ignoring the evidence on hand.

There is, however, a further criticism which cannot be gainsaid. It is that although a university with a large proportion of engineers among its graduates will inevitably have a better employment record than one more concentrated on the arts, the ranking makes no allowance for differences in subject-mix. Nevertheless, that deficiency can hardly be blamed on the FT. The detailed data needed to make the necessary adjustments is not published. While it is stored in the Universities' Statistical Record, it is available only to its legal owners—the institutions themselves.

Even the Secretary of State for Education and Science is apparently unable to obtain it without the permission of the authorities of every university in the land. He is better placed with regard to the equivalent data about polytechnics' graduates, enjoying joint ownership of it with the polys, but he may not pass it to outsiders unless the institutions' chiefs all agree. In short, despite the Government's avowed commitment to accountability in education, it is powerless to allow the public —who pay for such relevant information to be collected and stored—any access to it at all.

# Letters to the Editor

## The Japan problem

*From Mr W. Gibson-Knight*

Sir,—The answers to Mr Moorhouse's questions (October 5) and the correctness of Mr Wolf's understanding, can be seen by anyone with a clear awareness of how the world economy as a whole works, as distinct from those whose awareness is blinkered by some narrow producer's interest.

"Opinions . . . shared by most of the policy-makers in the EC and the US" should be dismissed as "hysteria" because policy-makers understand rich, large, or influential constituencies that benefit from mercantilist policies. They do not understand economics and are not generally able to gain politically themselves from championing the benefits to consumers of free trade or the jobs that it creates in new and expanding export and import companies.

Japan's global surplus is a matter of legitimate concern. But its bilateral surplus with, say, the EC is not. A clear example of the nonsense of looking at trade bilaterally is Nigeria and Britain. Over 90 per cent of Nigeria's exports are oil, which is very similar to Britain's oil. Therefore Britain inevitably buys little from Nigeria. Nigeria imports a wide range of goods, a good share of them from Britain. So Nigeria has a large bilateral deficit with Britain. But it runs a compensating bilateral surplus with oil-importing countries such as the US. The third leg of the triangle is that the oil-importing countries run a bilateral surplus with Britain. Each of three areas—Nigeria, Britain and the rest of the world—has one bilateral surplus and yet overall world trade is of course in equilibrium with itself.

"Japan's imports of manufactures are the lowest among industrialised nations." Somebody has to be the lowest! And this is likely to be Japan because Japan's imports of fuel and raw materials are the highest.

EC countries and the US import more manufactures than Japan. They have a much larger aggregate population and GNP; moreover small geographically close countries tend to have higher import and export shares of GNP than large countries remote from other rich countries—contrast, for example, Belgium (about 50 per cent) with the US (little over 10 per cent).

"Japan's total exports are at their highest level ever." So are those of most countries—world trade is, thankfully, continually growing.

Did Japan develop "its current trading prowess by espousing . . . free trade"? No—more fool it—but other countries, notably Hong Kong and to a substantial, though less complete, extent Singapore and Malaysia, have welcomed imports and thrived. Freeing of trade within the EC seems to have benefited all its members, and helped generate the taxable prosperity to support large salaries for MEPs.

As for "Japan's trading practices," the 70 per cent-plus rise in Hong Kong's exports to Japan this year suggests that it may not be so much Japan's trading practices that hold down EC exports to Japan as our own.

Wade Gibson-Knight,
*107 Dawlish Road, E10.*

## World debt crisis

*From Mr M. Shane and Mr D. Stallings*

Sir—We want to comment on the interpretation of our report (September 22) by Nancy Dunne, "The world debt crisis and its resolution." We feel that article misrepresents our views on at least three points.

We do not "implicitly (or otherwise) criticise the case-by-case rescheduling by which the debt crisis has been managed." Indeed, any sort of reduction in developing country debt must proceed on a case-by-case basis.

We do not express or imply that the US government should be the instrument of forgiveness. Our emphasis is on the worldwide dimension of the problem. We point to the global shock administered by the Third World debt crisis and analyse the implications of its persistence. All of us, as consumers and producers, must bear part of the burden.

A misquotation significantly alters the meaning of our report. You state "dramatically different solutions . . . may well be considered," while the original reads "dramatically different solutions . . . may well be worth considering." The former implies acceptance, the latter is an invitation for consideration only. The difference is crucial when considering the function of our agency (and of the economics profession in general), which is the provision of information relevant to the current world situation without specifically recommending policy actions.

It is our view that the Third World debt problem is a major constraint to world trade and growth. Its resolution should be given serious attention, not only in the United States, but by governments and world institutions everywhere.

Mathew Shane.
David Stallings.
*Agriculture and Trade Analysis Division,*
*US Department of Agriculture,*
*Washington DC 20005-4788.*

## A dangerous basket

*From Mr D. Franklin.*

Sir,—Regarding the use of a commodity basket as an anchor for the proposed international managed exchange rate system, Samuel Brittan avers (October 5) that "it should be possible to distinguish between underlying trends in the terms of trade of commodity producers and inflationary or deflationary deviations." But how one is to distinguish these conditions is not easy to see. At present, indeed, the rise in commodity prices which appears to be exciting the inflation fears of bond markets and some central banks, could well be read as a very necessary improvement in commodity producers' terms of trade; a mechanised tightening of policy could smother the nascent world recovery, reverse the commodity price rise and exacerbate the LDC debt problem.

One lesson surely to be derived from the unhappy history of monetary targeting is that one ought to eschew the official targeting of intermediate objectives. The explicit constraints on global macro economic policy must be on the one hand to prevent nominal demand from growing too slowly, and on the other to prevent consumer prices from rising too rapidly. A host of indicators, including monetary growth and commodity prices, can be used as guides to incipient inflationary and deflationary pressures, but policy co-ordinators should concentrate on agreeing a ceiling for inflation and a floor for nominal demand, rather than attaching spurious and dangerous importance to individual guide variables.

Donald Franklin (Chief Economist), Schroder Investment Management,
*36 Old Jewry, EC2.*

## Exchange rates

*From Mr K. Gardiner.*

Sir,—I think Samuel Brittan is mistaken when he argues (October 5) that the loss of faith in governments' ability to spend their way into higher growth is a factor which works in favour of fixed exchange rates. The text-books associate the real impotence of the authorities with arguments in favour of floating rates . . . and anyway, aren't current difficulties the result of the US authorities being too successful in promoting growth?

I am a little puzzled, too, by his insistence that "balance of payments deficits are now seen to be rooted in the gap between domestic savings and investment." They have been for some time, not because of any shift in analytical world-view but simply by virtue of arithmetic: the current account imbalance is definitionally equal to the savings/investment gap. The issue at stake in recent and prospective negotiations over the appropriate levels of exchange rates is not the accounting label which is to be attached to particular imbalances, but rather the manner in which those imbalances are to be reduced.

In an open international economy, "appropriate" exchange rates will (eventually) change with the relative economic performance of the countries concerned: attempts to avoid this by pinning rates to a particular totem pole—in the form of a specific monetary aggregate or a fixed weight of gold—are likely to be frustrated (as we have seen in the past). The attempted return to a fixed, commodity-based currency standard advocated by Samuel Brittan would throw more of the burden of adjustment onto interest rates than need be the case. And his suggestion that it is an easy matter to distinguish "underlying trends" in commodity prices from "inflationary and deflationary deviations" might not find much support amongst the many neoclassical economists who misread so spectacularly the first OPEC shock.

Kevin Gardiner (Economist)
*Warburg Securities*
*1 Finsbury Avenue, EC2*

Samuel Brittan writes: Mr Gardiner has obviously overlooked a full explanation of savings, investment and the balance of payments in my article in the World Economy survey of September 28.

## Misguided chivalry?

*From Mr R. Ware.*

Sir,—If the secretary of Mr Bosworth and the wife of Mr Knight (October 2 and 7) have grievances, why do these gentlemen feel it necessary to express them on the ladies' behalf? Is it chivalry? Doubtless misguided, since your readers will surely not take them any less seriously if expressed in their own name.

R. G. Ware.
*59 High Street, Prestwood, Great Missenden, Bucks.*

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# FINANCIAL TIMES

Monday October 12 1987



Roderick Oram on Wall Street

## Over the Atlantic counter

ANOTHER BIG step towards global equity markets will fall into place within 18 months when US and British stockbrokers start direct trading in a selection of each others' issues, according to the National Association of Securities Dealers, which operates the US over-the-counter market.

The NASD believes that the technical and regulatory problems are relatively minor and well on the way to being solved, said Mr Joseph Hardiman, who took over recently as its president. 'Not too far in the future,' Mr Hardiman added, the NASD hopes to bring the Singapore Stock Exchange into the system as well. The initial bilateral links between Singapore and the Nasdaq, the association's electronic over-the-counter market, begin shortly and are seen as forerunners of others in the Pacific Basin.

The association already has a substantial toehold in international markets through its trading of American depositary receipts of foreign stocks. Mr Hardiman expects overseas ties to help further its own rapid growth as the pace of domestic market expansion slows.

The first phase of the growing link between the London exchange and Nasdaq came in April 1986 when they began swapping real-time price information on 300 of each other's stocks. Recently, NASD's 30 or so members in London, mostly local branches of US firms, started to take delivery of computer terminals which now enable them to make markets in Nasdaq shares from the UK. They remain, however, electronic outposts.

True direct trading requires the removal of only one more technological barrier before members of the London exchange can trade Nasdaq shares through their Seaq electronic market: London must complete development of its Seaq Automatic Execution Facility, which will link up with Nasdaq's Small Order Execution Service.

The two markets have yet to decide on settlement procedures, but US officials rate as fairly high the chances that each will honour the other's. This would mean continous settlement for US stocks and periodic settlement for UK stocks.

Clearance mechanisms which would mesh with those in London are being developed by the International Securities Clearing Corporation, an offshoot of the National Securities Clearing Corporation, itself a joint venture of the New York, American and Nasdaq exchanges.

Some questions remain about meshing US and UK regulation and surveillance regimes, but they cannot be settled until London completes its regulatory framework with the much-delayed Financial Services Act.

Regulation, surveillance and enforcement have been hot issues in the US since insider trading scandals first broke in May 1986. A NASD taskforce is studying how to strengthen procedures. 'We've continued to improve the quality of issuers and the market place,' Mr Hardiman said.

Last year, for example, Nasdaq's automated surveillance system detected 16,000 annomalies in trading. Investigation showed that most of the unusal price or volume movements were sparked by legitimate corporate or market developments but 286 were identified as abuses by investors or insiders.

A year ago Nasdaq began reporting short sale statistics and by early next year there will be a system for small investors to place limit orders with their brokers which will be automatically executed when the share price hits a designated level. In the past small investors have complained that they have been neglected in the stampede when trading turns hectic and that brokers sometimes execute their own trades or those of big clients ahead of small investors.

A further area for development is the private placement market which is in the same stage of early development that the over-the-counter market was 15 to 20 years ago, Mr Hardiman said. Unregistered shares, typically in start-up companies, are placed privately over the telephone or in person.

Private placement is enjoying brisk growth which could accelerate if the SEC loosens, as expected, the minimum requirements for individuals to become accredited investors in the market. Currently they are required to have a minimum net worth of $1m or an annual income of more than $200,000.

An automated procedure, offering international access, could be in place by late this year, modelled closely on Nasdaq's present electronic trading system.

'This is the blueprint from which the global stock market will be built,' Mr Hardiman said when he took office in June. 'The technology is here. The task is to build the regulatory and operational framework that will bring the new worldwide trading system to completion.'

Haig Simonian in Frankfurt on Germany's tax reform package

## Finanzplatz Deutschland in trouble

LITTLE MORE than a year ago, a senior West German Finance Ministry official rose in the Bundestag and laboriously detailed the reasons why a withholding tax on savings and investments would not work in Germany.

On Saturday coalition party leaders decided to impose just such a tax to raise some DM3.5bn-4bn ($1.9bn-2.2bn) for the Government's tax reform package.

Earlier leaks of the news on Friday triggered some of the greatest turmoil in German financial markets since the Second World War, with bond and share prices plummeting.

By contrast, statements from the Bundesbank - which seems to have been kept in the dark - the Finance Ministry or the Chancellor's office about the proposal were conspicuous by their absence.

Already furious about the less than professional way such a potentially explosive piece of information was handled by the Government, bankers in Frankfurt seriously doubt the new tax will work.

Germany's present system of taxing savings and investments, where individuals are supposed to declare any income on their annual tax return, is known to be subject to widespread evasion. On Friday, Mr Michael Hauck, chairman of the Frankfurt stock exchange, agreed that the new tax was hard to dispute "on moral grounds".

Bankers and foreign investors are always an easy target for a battered government struggling to finance a major tax reform. And "squeezing the rich" also has a certain populist appeal, even in Germany.

Moreover, few thought the Government, hit by recent election setbacks, was really going to bite the bullet and tackle some of the country's massive state subsidies.

> Frankfurt bankers have serious doubts about whether the new tax will work

However, the danger is that the new withholding tax, a key element of the reform package, will be self-defeating.

For a start, it is likely to trigger a rise in interest rates of 0.35-0.50 per cent, according to early estimates. Apart from the damage that might cause Bonn in its discussions with international partners on keeping rates down and currencies stable, it will have the more immediate effect of sharply increasing the government's own borrowing costs.

"Public borrowing will cost about DM4bn a year more," reckoned one Frankfurt bond dealer on Friday on the basis of a 0.50 per cent interest rate rise. That hardly looks ideal in view of the DM3.5-4bn the tax is supposed to raise.

However, higher interest rates were only one of the reasons the Government itself put forward last year in opposition to such a tax.

The second was capital flight. The Germans pride themselves on their financial liberalism, notably the absence of any exchange controls. So the fear now is that wealthy individuals will simply transfer their taxable assets abroad.

There is no shortage of banks: the subsidiaries of many German banks in Luxembourg, in particular, have been pitching hard for private clients, stressing, among other advantages, its highly confidential banking law. Bankers in Frankfurt, who had time to crack jokes on Friday, said flights to the Grand Duchy had already filled up for the next six weeks.

But the most serious longer-term concern following the government's move must be for the much-touted concept of "Finanzplatz Deutschland" - Germany as a financial centre.

The new tax simply compunds disappointment in German financial circles about the government's failure to abolish the "Boersenumsatzsteur", the stock exchange turnover tax, which is levied on secondary market trading of German securities.

That tax has encouraged a lively business in German securities in foreign financial centres such as London and has been seen as a major barrier to the international competitiveness of Frankfurt, Germany's financial capital, despite other steps to liberalise the market.

> Few believed the Government would bite the bullet on state subsidies

For many bankers, the proposed new withholding tax simply proves that, despite the fact they are only about 90 miles apart, Germany's political capital in Bonn and its financial capital in Frankfurt still do not always speak the same language.

## Poland announces reform package for economy

BY CHRISTOPHER BOBINSKI IN WARSAW

MR ZBIGNIEW MESSNER, Poland's Prime Minister, has announced a programme of wide-ranging measures designed to improve efficiency in the economy and achieve a balanced external current account by 1991.

Mr Messner told Parliament at the weekend that he hoped the three-year programme would be accepted by the International Monetary Fund as the basis for the start of talks on standby credits for Poland's $35bn foreign debt-burdened economy.

The first stage of the programme is a 25 per cent cut in the 12,000-strong central government administration. It includes the merging of several industrial ministries into one Ministry of Industry.

The reorganisation, which aims at loosening central control over state-owned enterprises, is to come into effect at the end of this month when Mr Messner is expected to announce his new Cabinet.

Controls over the establishment of new companies both in the private and public sectors are also to be eased, and private sector growth is to be encouraged in trade, services, food processing and production of building materials.

Mr Messner said the planned restructuring of prices and incomes would not "lead to any general lowering in living standards."

Nevertheless, price increases over the next two years are expected to be heavy.

Supply and demand on the consumer market has to be balanced and the authorities also want to bring prices in line with those on world markets, especially fuel and energy.

A national referendum on the reform package is planned for November 29.

The authorities hope that this will help pave the way for the price rises which, if judged too drastic by workers, could spark off popular unrest.

Conditions for joint ventures with Western capital are to be made more attractive and Polish companies are to be permitted to sell bonds to private citizens as well as other enterprises.

In his speech Mr Messner also mentioned the possibility of the establishment of a stock exchange where companies could raise capital and deal in shares.

Despite all the talk of decentralisation, major sectors of the economy are still to be centrally managed.

The Ministry of Mines and Energy is, for example, to be merged with the new Ministry of Industry, but two new monopolies "Polish Coal" and "Polish Energy" are to be established.

The steel industry, petrochemicals and the paper sector are similarly to be centralised and efforts to integrate the electronics and other industries are continuing.

The programme marks a part victory for reformers in the government led by Mr Zdzislaw Sadowski, a deputy premier, but it has been greeted with some scepticism by observers who recall that last autumn the same Government tried unsuccessfully to roll back company independence.

Under the programme, loss-making companies can expect to face bankruptcy, an attempt is to be made towards breaking industrial monopolies and the central monopoly on food procurement from farmers and distribution is to be abolished.

## Banks agree to $50m Tanzanian loan facility

By Alexander Nicoll in London

COMMERCIAL banks have agreed to extend a $50m loan to Tanzania, the country's first internationally syndicated borrowing and a rare bank financing for debt-troubled poor countries in sub-Saharan Africa.

The loan, arranged by Bankers Trust, the US bank, is a one-year bankers' acceptances facility which will provide pre-export financing for Tanzania's coffee crop.

The proceeds will enable the country to have constant finance for its imports of crude oil.

Tanzania is one of 17 sub-Saharan nations ranked by the World Bank as "debt-distressed" - countries which, even if they are pursuing economic adjustment policies, need financing over and above current international arrangements if they are to cope with their debt problems.

Banks have very low exposure in such countries since most loans have come from official lenders or multilateral institutions.

Tanzania last year ended a period of poor relations with the International Monetary Fund and reached agreement on a standby loan and a three-year economic recovery programme which it has since been pursuing.

It has also rescheduled debt through the Paris Club grouping of sovereign creditors and obtained World Bank financing.

The latest loan is being extended to National Bank of Commerce, a state-owned commercial bank which is the country's largest.

The London branch of Bankers Trust has led the lending banks and will provide the financing when Tanzania wishes to draw upon the facility, which will carry interest at 1⅝ percentage points above the benchmark "eligible bill" rate for bankers acceptances.

The risk is shared between Bankers Trust and 11 other participating banks - one US and 10 based in continental Europe.

Although British banks were invited into the deal, none accepted.

Bankers Trust said the transaction represented "a significant turnabout for borrowers in the region who had been facing a withdrawal of support from financial institutions".

It said it aimed to arrange more commodity-based financings in Africa.

## Fears in UK mount over future of funding high-tech research

BY TERRY DODSWORTH, INDUSTRIAL EDITOR, IN LONDON

BRITISH industry and universities are becoming increasingly worried over the future of Government funding for high-technology research. This follows a long delay in action on a new support programme proposed a year ago.

There are widespread fears that the hesitation in approving new research money could mean the end of the present form of state backing for the information technology industry.

Many of the individuals involved in the research projects believe that, at best, the present programme will be severely curtailed when a decision is announced over the next few weeks.

New proposals on Government support for the information technology sector were contained in a report prepared by Sir Austin Bide, the former chairman of Glaxo and British Leyland.

Sir Austin recommended a £1bn five-year plan to take over from the present Government-backed Alvey research effort, suggesting a change of emphasis so that about half of the projects in the programme would be directed at producing marketable products. He wanted the Government to contribute about

Sir Austin Bide: urged £1bn for information technology

£425m to the total expenditure, with the rest coming from industry itself.

The Bide report was initially welcomed by Mr Geoffrey Pattie, then Minister of Information Technology. But since Mr Pattie's departure from that job in the post-general election reshuffle Government enthusiasm for the proposals has waned.

Last July, Mr Kenneth Clarke, Trade and Industry Minister, told a Government-sponsored conference on information technology that companies had to bear the brunt of costs for research and development.

Industrialists and academics say they have been trying to put pressure on the Government in recent months to respond positively to the Bide report. But they have grown increasingly pessimistic because of a lack of response from ministers.

This reaction has probably been caused partly by the review of research which the Government has launched recently under Mr John Fairclough, the chief scientific adviser, who wants to see a clearer definition of the nation's overall research priorities.

In addition, the sense of drift has been increased by the departure of key officials, including Mr Brian Oakley, the director of the Alvey programme.

Some critics of the Government concede that ministers might have a case for reducing the funding targets suggested in the Bide report because of the increase in the size of the similar European Esprit research project to which British companies can apply.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 18 | 64 | Dubrovnik | C | 20 | 68 | Malta | F | 25 | 77 | Rhodes | S | 25 | 77 |
| Algiers | S | 18 | 64 | Edinburgh | S | 9 | 48 | Manchester | S | 10 | 50 | Rio de J'o | C | 29 | 84 |
| Amsterdam | S | 12 | 54 | Faro | F | 20 | 68 | Manila | S | 31 | 88 | Rome | F | 26 | 79 |
| Athens | F | 25 | 77 | Florence | TH | 17 | 63 | Melbourne | F | 11 | 52 | Salzburg | F | 23 | 73 |
| Bahrain | S | 31 | 88 | Frankfurt | S | 16 | 61 | Mexico City | S | 22 | 72 | San Francisco | R | 19 | 66 |
| Bangkok | S | 33 | 91 | Funchal | F | 22 | 72 | Miami | C | 28 | 82 | Seoul | S | 26 | 79 |
| Barcelona | S | 17 | 63 | Geneva | R | 11 | 52 | Milan | C | 16 | 61 | Singapore | F | 32 | 90 |
| Beirut | S | 28 | 82 | Gibraltar | S | 19 | 66 | Montreal | C | 19 | 66 | Stockholm | C | 12 | 54 |
| Belfast | S | 9 | 48 | Glasgow | S | 9 | 48 | Moscow | S | 14 | 57 | Strasbourg | C | 12 | 54 |
| Belgrade | S | 24 | 75 | Guernsey | F | 11 | 52 | Munich | S | 17 | 63 | Sydney | S | 19 | 66 |
| Berlin | S | 18 | 64 | Helsinki | S | 14 | 57 | Nairobi | F | 27 | 81 | Taipei | S | 30 | 86 |
| Biarritz | R | 12 | 54 | H. Kong | F | 30 | 86 | Naples | F | 28 | 82 | Tangier | S | 19 | 66 |
| Bombay | S | 33 | 91 | Innsbruck | F | 22 | 72 | Nassau | S | 29 | 84 | Tel Aviv | F | 25 | 77 |
| Bordeaux | F | 16 | 61 | Inverness | F | 7 | 45 | New Delhi | S | 35 | 95 | Tenerife | C | 24 | 75 |
| Brussels | F | 12 | 54 | Islamabad | S | 32 | 90 | New York | S | 20 | 68 | Tokyo | C | 21 | 70 |
| Budapest | S | 22 | 72 | Istanbul | F | 16 | 61 | Nice | S | 18 | 64 | Toronto | S | 9 | 48 |
| B. Aires | S | 27 | 80 | Jakarta | S | 34 | 93 | Nicosia | C | 27 | 81 | Tunis | C | 24 | 75 |
| Cairo | S | 30 | 86 | Jersey | F | 14 | 57 | Oporto | S | 18 | 64 | Valencia | S | 19 | 66 |
| Cape Town | C | 17 | 63 | Jo'burg | C | 23 | 73 | Oslo | R | 12 | 54 | Venice | C | 17 | 63 |
| Caracas | C | 28 | 82 | Lima | R | 21 | 70 | Paris | S | 13 | 55 | Vienna | F | 21 | 70 |
| Casablanca | F | 21 | 70 | Lisbon | R | 16 | 61 | Peking | C | 21 | 70 | Warsaw | S | 20 | 68 |
| Chicago | S | 9 | 48 | London | S | 13 | 55 | Prague | S | 18 | 64 | Washington | - | - | - |
| Cologne | C | 12 | 54 | Los Angeles | C | 26 | 79 | Reykjavik | S | 2 | 36 | Zurich | C | 14 | 57 |
| Copenhagen | F | 13 | 55 | Luxembourg | C | 9 | 48 | | | | | | | | |
| Corfu | F | 26 | 79 | Madrid | R | 9 | 48 | | | | | | | | |
| Dubai | - | - | - | Majorca | F | 18 | 64 | | | | | | | | |
| Dublin | F | 11 | 52 | Malaga | R | 19 | 66 | | | | | | | | |

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

## Politician found dead

Continued from Page 1

Holstein to smear Mr Bjoern Engholm, leader of the opposition Social Democratic Party, during last month's run-up to the state's elections.

Mr Barschel was found dead at midday yesterday in a bathroom of a Geneva hotel by a West German journalist apparently on his way to interview him.

The death looks likely to precipitate fresh elections in Schleswig Holstein - a traditional stronghold of the right. But the poll last month brought a parliamentary stalemate, with the CDU losing ground heavily and the SPD finishing as the strongest party in the state parliament.

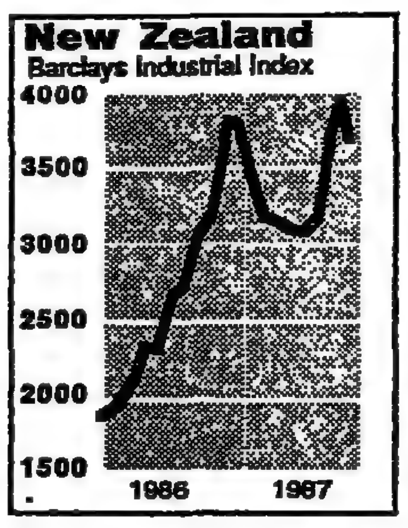
Mr Barschel resigned two weeks ago after allegations in Der Spiegel on the eve of the election that he arranged for detectives to investigate Mr Engholm's sex life. He maintained he was innocent.

He was also said to have organised the sending of anonymous letters denouncing Mr Engholm as a tax evader and to have tried to plant an electronic listening device in his own official telephone to give the impression of being bugged by the SPD.

THE LEX COLUMN

## Upwardly mobile down under

New Zealand, the old quip has it, is the place the businessman visited and found it closed. With a stagnant economy and a life style reminiscent of the 1950s rather than the 1980s, the country has had a dowdy image in the international marketplace. Although there is a sense that something is changing down there, the City still tends to be rather snooty when Mr Ron Brierley buys yet another chunk of a well known UK company or the oddly named Equiticorp makes a bid for a London accepting house.




It is easy to dismiss both as unsophisticated corporate raiders who have more money than they know what to do with, and who will disappear as quickly as they came at the first sign of a serious setback in the world's equity markets. But Mr Brierley and Equiticorp have both demonstrated over the last week that they should not be underestimated. The former walked away with a handsome profit after forcing Compagnie du Midi to increase its offer for Equity & Law for a second time, and after a six-month long pursuit, Equiticorp finally won control of Guinness Peat. Both, in their own way, underline a dramatic internationalisation of New Zealand business.

Mr Brierley's 25-year old master company - Brierley Investments - is one of the best known of the New Zealand companies now making their presence felt internationally. With a stock market capitalisation equivalent to £1.8bn it is the second biggest company in New Zealand - far bigger, for example, than Jardine Matheson. Its Australian affiliate, Industrial Equity, is the seventh biggest company in Australia, ranking on a par with ANZ Bank and Westpac. Meanwhile, Equiticorp has grown into New Zealand's twelth biggest company in just 3½ years by following Mr Brierley's example and making frequent cash calls on its shareholders to finance its growth.

Less well known entrepreneurial investment groups, such as Mr Bruce Judge's Ariadne, can be found helping a former US Treasury Secretary rescue near-bankrupt savings banks on the US west coast. Established industrial groups like Fletcher Challenge and Goodman Fielder have also been expanding rapidly overseas. As New Zealand's finance minister pointed out in a speech in London last week, his country is building world-scale businesses which can compete internationally in areas such as food, forestry and finance. Fletcher Challenge earned 41 per cent of its profits in North America last year, and with its affiliates ranks as the world's second biggest producer of pulp and newsprint. Goodman Fielder is one of the world's biggest food companies, and its 21 per cent stake in Ranks Hovis McDougall underlines its committment to move beyond its Australasian base.

It is not hard to find reasons for the sudden surge of international activity. The Government's decision to deregulate the economy has been a godsend for local entrepreneurs, and a local stock market which has risen more than sixfold over the last five years has been happy to finance their ambitions. However, given the lacklustre growth prospects and the small size of the local market, an ambitious company can soon run out of growth opportunities in New Zealand - a country, after all, with a population of only 3.3m. Brierley and Fletcher Challenge each account for about a fifth of local stock market capitalisation, and are finding that domestic sources of finance are not sufficient. The removal of exchange controls and the upward float of the New Zealand dollar since March 1985 cleared the way for their appearance on the international stage.

While Australia was the first port of call for many New Zealand companies, it is easy to see the UK's attractions given the similarity in accounting procedures and common language. The same sorts of arguments about market size and economies of scale which are sending UK firms on an unprecedented shopping spree in the US are being used to justify the international eruption of New Zealand businessmen.

It is hard to fault the arguments. Nevertheless, when a company like Brierley boasts that its objective is "to become in an international sense what we are in NZ...a company that quite literally cannot be recreated at any price," it is time to sound a cautionary note. When conditions change, as at some point they must, there will be a premium on those companies which have thought through the commercial rather than financial logic of their strategies. It would be a pity if New Zealand's success story turned out to be just another bubble in the worldwide bull market.

### Banking reserve

One of the rasher promises made by merchant bankers in the heady run-up to Big Bang was that they would start lifting the veil on their accounts. Rash indeed. Not one of the 16 accepting houses has so far completely surrendered the privileges so anachronistically extended to them by Schedule 9 of the Companies Act. There has even been some backsliding, the surest sign of trouble.

Only two houses, Morgan Grenfell and Rea Brothers, report anything approaching true earnings and reserves, but even they economise on the truth a little. Kleinworts, Warburg and Hill Samuel continue to report earnings after tax and transfers to inner reserves. Schroders do not even report interim figures. And most bizarre, Samuel Montagu has redrawn the veil over its inner reserves after displaying them a couple of years ago (why - to add mystique to Midland's capital reconstruction efforts?). As for the private banks like Barings and Rothschilds, their accounts belong on the fiction shelves.

The accepting houses' behaviour only strengthens the argument that maintaining inner reserves has nothing to do with preserving confidence: it is merely a technique for smoothing earnings, and as we all know these have been pretty bumpy since Big Bang. Kleinworts admitted as much when it made a transfer from reserves to cover the cost of sorting out its back office mess.

If there was any sound reason for preserving secrecy other than fear of the consequences of full disclosure, then it has yet to be made. The Trustee Savings Bank could prove that it is tougher than all those merchant banking chappies by revealing all about Hill Samuel in its next accounts.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday October 12 1987



INTERNATIONAL BONDS

# Convertible sector boosted by Bell Resources

BY CLARE PEARSON IN LONDON

THE SMOOTH launch of the ingenious "jumbo" convertible bond for Mr Robert Holmes à Court's Bell Resources has provided a further fillip to the now booming convertible sector of the market. But what is in it for the investors?

The issue, led by Merrill Lynch Capital Markets, worth more than A$1bn, and denominated in US and Australian dollars and sterling, is convertible into part of Bell's 28 per cent stake in Broken Hill Proprietary, or the cash equivalent of the shares.

Although some of the management group evidently had problems placing especially the US dollar tranche, Merrill said on Friday that it had itself placed what it called a "massive" amount of the issue. The dollar tranche was trading within its fees while those denominated in Australian dollars and sterling were changing hands at above their par issue prices.

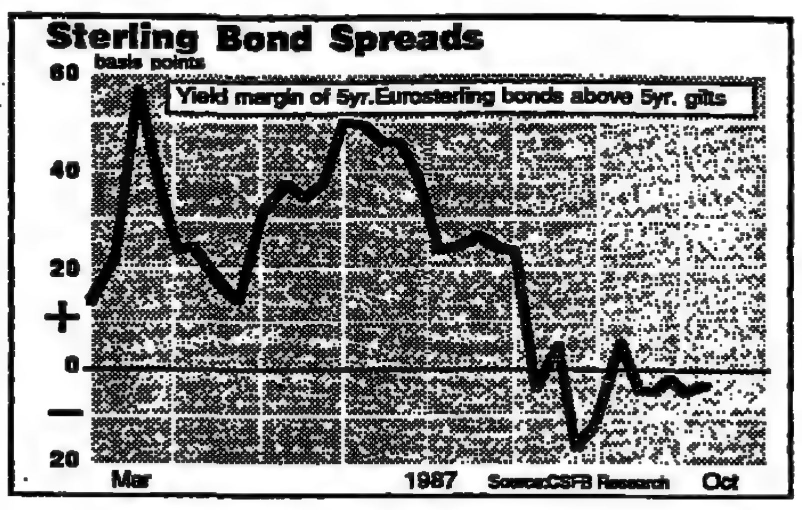
So the underwriters have made money and the borrower has both obtained sizable cheap funding, while also realising the value of an existing investment without necessarily having to sell it.

The issue went well, but did raise some eyebrows. One banker commented: "It's quite clear the underlying shares are a far better investment. I think it's a stroke of genius for merchant bankers to persuade people to take up this paper."

The basic appeal of convertibles is that they have attractions both for equity and bond investors – which is why issues as large as this can be absorbed.

Investors who would otherwise buy the underlying shares get an equity play plus capital protection (since the bond cannot be redeemed at less than they paid for it) and, usually, an income higher than on the shares.

Meanwhile, if the bond includes a put option – as the Bell issue does – fixed income investors get an instrument which will pay them a yield roughly equivalent to that on a government security of the same maturity in that currency, and an equity play as well.




But the structure – really a package of trade-offs between its different elements – works best where investors can be comfortable about taking a long-term view of the equity underlying the bond rather than the near-term focus created by bid speculation on a company such as BHP.

If Mr Holmes à Court or somebody else bids for BHP in the near term, the conversion premium of between 18 and 22 per cent will prevent investors from participating fully in the near-term capital gain, since the price rise on the bond tends to lag that on the shares in such cases, some bankers say.

The premium in any case looks high at an indicated 18 to 22 per cent, given the appreciation that has already occurred in BHP's share price. And it will take investors three years to recover this premium from the income on the bond: a standard "pay-back" period, but perhaps not when the action in the stock is so likely to occur fairly soon.

If, on the other hand, the shares fail to perform, investors are worse off in one respect than if they had invested directly in the equity. This is because the marketability of the bond is likely to be worse then that of the shares in BHP, the largest Australian company.

They can, of course, sell it back to the issuer after five or six years, but this will be at a price to give a yield well below what he would normally have expected on a fixed rate bond issued by Bell Resources.

In fact, the offering in itself jeopardises the share price performance since it could involve Bell Resources selling nearly 5 per cent of BHP's shares, and so dulling bid speculation – though analysts did not interpret the bond issue as a sign that Bell's interest in BHP was diminished.

This was partly because Bell Resources can choose to pay the cash equivalent instead of shares. Though investors can use the cash to buy BHP's shares, they risk not being able to get them at the same price, in addition to suffering time delays and dealing charges.

# Bonn acts to allay foreign fears over withholding tax

BY HAIG SIMONIAN

"FOREIGNERS have nothing to fear," said a West German finance ministry official yesterday, some two days after the turmoil in the country's financial markets which left bond prices reeling and trading screens blank at most banks by mid-afternoon on Friday.

The confusion created by the rumour, now a reality, of a 10 per cent German withholding tax on most savings and investments from 1989, left foreign investors totally puzzled.

It is now clear that the new tax will not affect D-Mark Eurobonds, which will continue to enjoy the tax-free status they have had since coupon tax was abolished in April 1984.

What will be affected, however, are German government fixed-interest securities. Foreigners have been particularly keen buyers of Bundesrepubliks in recent years, taking up to 80 to 90 per cent of new issues at times, according to some estimates.

The new tax is bound to affect those purchases. Although foreign investors can apply to have the tax repaid, it will still create an extra burden, and for some even an unwelcome hint of disclosure.

No wonder that so many investors decided to sell on Friday, with prices falling by 1.20 to 1.30 on the bourse. However, Frankfurt dealers say there were signs of both larger long and short positions, suggesting that the market had become quite a casino. "Some people stand to lose a great deal of money, and some to make it," said one senior Eurobanker.

This morning promises either further signs of panic, or a recovery as cooler heads prevail. What is certain is that the financial whiz-kids have already been working overtime to look into the arbitrage opportunities now created.

Most striking are the implications for the very active cross-currency swap business, usually booked out of London, where DM exposures are hedged against German government paper.

INTERNATIONAL CREDITS

# Borrowers from Britain continue to keep the bankers busy

BY ALEXANDER NICOLL IN LONDON

BRITISH borrowers are continuing to keep bankers in the Eurocredit market busy. Many UK companies have reorganised their banking arrangements into multiple option facilities this year, and the flow of mandates has yet to dry up.

Tesco, the supermarkets chain, was among last week's new mandates. It asked Midland Montagu to arrange a £200m tender panel facility of which £150m will be committed. The five-year standby carries a margin of 7.5 basis points above London interbank offered rates, with facility fees of 5 and 3.5 basis points respectively on the "available" and "reserve" portions. The borrower will pay a 3.5 basis point fee if the standby is more than half drawn.

Woolwich Building Society has mandated Credit Suisse First Boston for a £200m committed standby and a £200m uncommitted facility. With a commitment fee of 6.25 basis points, the five-year standby carries a margin of 13.75 basis points over Libor.

Eagle Star Insurance, a subsidiary of BAT Industries, is seeking a £150m credit, of which £110m will be committed, through County NatWest. The five-year facility, extendable each year, has a 10 basis point margin and underwriting fees of 7.5 basis points on available amounts and 5 on unavailable, with a utilisation fee of 5 basis points above 50 per cent usage.

Barclays de Zoete Wedd has been mandated by Hammerson Property Investment and Development Corporation for a £100m revolving standby to back the company's commercial paper programme.

Elsewhere, Credit Foncier of France is said to be seeking bids for a $200m to $300m loan with a relatively short maturity. The mandate is likely to be hotly contested and terms will be watched closely

Swiss Bank Corporation International brought two new deals and is also likely to increase a $400m three-year credit for Primerica following oversubscription.

Dow Corning, jointly owned by Dow Chemical and Corning Glass of the US, mandated SBCI for a $150m five-year credit. The margin over Libor is 18.75 basis points and the commitment fee 7.5 basis points, with a 5 basis point fee for more than 50 per cent usage.

Merloni Elettrodomestici, an Italian white goods maker, asked SBCI to arrange a $60m five-year credit to be made available through Banco di Sicilia's London branch. It has a margin of 18.75 basis points, a commitment fee of 10 basis points and a utilisation fee of 6.25 basis points if it is more than half used, with front-end fees of 10 basis points for $5m commitments.

Bank of America International has been mandated by NM Home Loans, a subsidiary of National Mutual Life Association of Australasia, to arrange a $100m portfolio insured mortgage syndicated facility. It will be backed by insurance against losses on NM Home Loans' residential mortgage portfolio. Interest will be 20 basis points above Libor for the first five years and 25 basis points for the remaining two, with the borrower paying liquid asset requirements up to 6.25 basis points. Commitment fees range from 3.125 to 5 basis points, and front-end fees from 5 to 7.5 basis points.

Merrill Lynch increased a standby for Swedbank from $100m to $150m following oversubscription.

Among new short-term programmes, Banco Toscana, a Florence-based bank and Italy's 11th largest, appointed Midland Montagu Commercial Paper to arrange a $150m Euro-certificate of deposit programme with Chase Investment Bank, Saudi International Bank and UBS (Securities) as additional dealers.

Royal Insurance, one of the more active users of the sterling commercial paper market, has expanded its programme from $50m to $150m and kept BZW and SG Warburg as dealers.

# Bankinter places £60m share parcel

By Our Euromarkets Correspondent

A PARCEL of shares worth about £60m ($98m) in Bankinter, a Spanish full-service bank, was placed internationally last week by Warburg Securities.

About two thirds of the shares placed represented a 5 per cent stake in Bankinter which had been held by Bank of America but was recently bought by a Bankinter subsidiary. The remaining shares were also held within the Bankinter group.

EUROMARKET TURNOVER
Turnover ($m)

| Primary Market | Straights | Conv | FRN | Other |
|---|---|---|---|---|
| US$ | 499.2 | 287.1 | 93.8 | 5,856.2 |
| Prev | 3,995.3 | 677.8 | 654.4 | 7,270.5 |
| Other | 1,215.8 | 0.0 | 471.7 | 370.1 |
| Prev | 1,205.7 | 2.0 | 305.7 | 501.9 |
| **Secondary Market** | | | | |
| US$ | 26,081.2 | 2,301.8 | 11,282.3 | 5,582.9 |
| Prev | 24,639.6 | 2,451.1 | 8,917.4 | 4,957.3 |
| Other | 19,692.9 | 1,064.1 | 3,630.1 | 14,964.4 |
| Prev | 19,871.3 | 1,213.9 | 6,558.4 | 13,245.1 |

| | Cedel | Euroclear | Total |
|---|---|---|---|
| US$ | 16,035.8 | 36,028.6 | 52,064.5 |
| Prev | 15,213.8 | 38,430.0 | 53,643.8 |
| Other | 17,914.5 | 23,124.6 | 41,039.1 |
| Prev | 16,856.0 | 26,016.0 | 42,902.0 |

Week to October 8 1987 Source: AIBD

# Salomon Brothers may drop municipal bond operations

BY JAMES BUCHAN IN NEW YORK

SALOMON BROTHERS, the largest Wall Street firm, will today announce first findings of a radical business review that could lead to sharp cuts in its operations.

There is growing speculation in the US securities industry that Salomon, one of the largest US bond trading firms, will shut its big but relatively unprofitable municipal bond business.

Salomon, which is struggling to manage the impact of rapid growth in its trading operations, confirmed at the weekend that it would today announce some conclusions of a large-scale "strategic review."

But Mr Robert Salomon, a managing director, said the reports about the municipal bond business were "highly speculative."

However, Wall Street believes the municipal bond operation, which raises money to finance capital expenditures by US cities, would be most vulnerable in a wide-ranging cutback.

The business faces intense competition from commercial banks and is not very profitable at the best of times. But Salomon is believed to have lost as much as $100m in the division in the second quarter, after a collapse in prices of government securities caused municipal issues to tumble.

Salomon has been beset by management problems for more than a year, partly because of a 40 per cent increase in its staff, mostly in London and Tokyo. Last month, the firm fell prey to takeover speculation when Mr Ronald Perelman, an aggressive investor who is chairman of Revlon, said he was seeking to build up a stake.

# Irving acts to thwart Bank of New York

By Our New York Staff

IRVING BANK has sharply rebuffed the $1.4bn takeover approach launched last month by Bank of New York and adopted a "poison pill" defence against the $80 a share offer.

In a spirited statement, Irving confirmed Wall Street's expectations by rejecting the offer as inadequate and undesirable. But the venerable New York banking group appeared to leave open the possibility of its takeover at some stage during the current consolidation of the US banking industry.

Mr Joseph Rice, Irving chairman, said that as the consolidation "accelerates, our company's value will only increase. Certainly, now would not be the time to sell the corporation."

# Chapelle-Darblay suffers further financial setback

BY GEORGE GRAHAM IN PARIS

CHAPELLE-DARBLAY, France's leading manufacturer of newsprint, seems set to change hands once again after another financial setback.

Mr John Kila, the Canadian entrepreneur who took Chapelle-Darblay out of the hands of the bankruptcy court in 1984, was coldly rebuffed at the weekend by the Government from which he had demanded more subsidies on top of the FFr2bn ($330m) the company has already received over the last three years.

"The subsidies road is cut off," said Mr Alain Madelin, Industry Minister.

Mr Madelin also spurned Mr Kila's threat that he would have to file for bankruptcy – a familiar state for Chapelle-Darblay, which was under court administration for three years before the Canadian businessman took it over. "The authorities will not give in to this blackmail," he said.

Mr Kila has also crossed swords with Mr Philippe Seguin, the Employment Minister, who condemned him for beginning dismissal proceedings against Chapelle-Darblay workers who had taken part in a trade union day of action.

Union officials at Chapelle-Darblay now say the government is negotiating with a number of French and West German industrial groups already involved in the timber or paper industries which might take over the company.

The affair has always carried heavy political overtones. The rescue plan agreed in 1983, which would have involved a total of FFr2.3bn in state grants and subsidised loans, as well as FFr900m in bank finance, was fiercely attacked by the right wing as an electoral package designed to help the Socialist Mr Laurent Fabius, then Industry Minister, in whose constituency one of the company's plants was sited.

## NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book Runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Canon Inc ϕ§ | 300 | 1992 | 5 | 3⅛ | 100 | Yamaichi Int. (Eur) | 3.125 |
| Canon Inc ϕ§ | 200 | 1993 | 4 | 3⅞ | 100 | Nomura Int. | 3.875 |
| Kao Corp. ϕ§ | 100 | 1992 | 5 | 3⅛ | 100 | Nomura Int. | 3.125 |
| Sanko La. ϕ§ | 40 | 1992 | 5 | 3½ | 100 | Daiwa Europe | 3.500 |
| Ryoden Trading Co. ϕ§ | 30 | 1992 | 5 | 3½ | 100 | Daiwa Europe | 3.500 |
| Daishowa Paper Mfg. ϕ§ | 70 | 1992 | 5 | 3½ | 100 | Nikko Secs (Europe) | 3.500 |
| Tosch Corp. ϕ§ | 200 | 1992 | 5 | 3¼ | 100 | Yamaichi Int. (Eur) | 3.250 |
| Fuji Bank §§ | 200 | 2002 | 15 | 1¾ | 100 | Fuji Int. Fn. | 1.750 |
| Nippon Paint ϕ§ | 70 | 1992 | 5 | 3⅜ | 100 | Nikko Secs (Europe) | 3.375 |
| Taka-Q ϕ | 100 | 1992 | 5 | (3½) | 100 | Nomura Int. | * |
| Hitachi Maxell § | 70 | 2003 | 15½ | (14) | 100 | Nikko Secs (Europe) | * |
| Facet Enterprises §§ | 50 | 2002 | 15 | 7 | 105 | CSFB | 7.000 |
| Trinova §§ | 100 | 2002 | 15 | 8 | 100 | Salomon Bros. | 8.000 |
| Osaka Prefecture § | 120 | 1994 | 7 | 10⅛ | 101¼ | Bank of Tokyo | 10.117 |
| Toyota Motor Fin. § | 150 | 1990 | 3 | 9⅝ | 101.175 | Nomura Int. | 9.158 |
| IMI Bank Int. § | 200 | 1989 | 2 | 9½ | 101 | UBS (Secs) | 8.932 |
| Pinnacle West Cap. § | 75 | 2002 | 15 | (10¼) | 100 | CSFB | * |
| Bridgestone Corp. ϕ | 100 | 1992 | 5 | (3⅛) | 100 | Yamaichi Int. (Eur) | * |
| Seino Transport. ϕ | 70 | 1992 | 5 | (3⅛) | 100 | Daiwa Europe | * |
| Maruetsu ϕ | 70 | 1992 | 5 | 3½ | 100 | Nomura Int. | 3.500 |
| Bell Resources § | 550 | 1997 | 10 | (5¼-½) | 100 | Merrill Lynch | * |
| Koraiwa Co. ϕ | 50 | 1992 | 5 | (3⅛) | 100 | Yamaichi Int. (Eur) | * |
| Fidelity Fed. Sav. (b) ‡§ | 100 | 1992 | 5 | 12½bp | 100 | CSFB | * |
| Nisshin Oil Mills ϕ | 70 | 1992 | 5 | (3⅛) | 100 | Nomura Int. | * |
| Metropolit of Tokyo (c) § | 150 | 1997 | 10 | 10⅝ | 100 | First Boston Corp. | 10.044 |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| Bell Resources § | 200 | 1997 | 10 | (7¼-8) | 100 | Merrill Lynch | * |
| **NEW ZEALAND DOLLARS** | | | | | | | |
| Eurofima § | 50 | 1989 | 2 | 17½ | 101⅛ | EBC Amro Bank | 16.837 |
| **D-MARKS** | | | | | | | |
| Sodick Co. §§ | 50 | 1993 | 7 | 1½ | 100 | Nomura Europe | 1.500 |
| Lindt & Spruengli ϕ§ | 100 | 1994 | 7 | 3¼ | 100 | CSFB-Effectenbank | 3.250 |
| **SWISS FRANCS** | | | | | | | |
| D'Or Val Mines § | 35 | 1995 | – | 5⅞ | 100 | Banque Indosuez | 5.961 |
| Nichimo Corp. ** §§ | 100 | 1993 | – | ½ | 100 | Handelsbank NWest | 0.500 |
| Gosei Chemical Ind. ** §§ | 100 | 1993 | – | ½ | 100 | SBC | 0.500 |
| Topura Co. ** ϕ§ | 20 | 1992 | – | 1½ | 100 | UBS | 1.125 |
| Continental Health ¶ | 20 | 1995 | – | (7) | (100) | Bqe Gutzwiller K.B. | * |
| Hyakujushi Bank ** §§ | 80 | 1993 | – | ⅜ | 100 | Credit Suisse | 0.375 |
| Fuji Bank ** §§ | 200 | 1993 | – | ¼ | 100 | UBS | 0.250 |
| Fuji Bank §§ | 200 | 1993 | – | ¼ | 100 | UBS | 0.250 |
| Sandhurst Mining § (a) | 20 | 1994 | – | (6) | (100) | Bqe. Gutzwiller K.B. | * |
| Wakita & Co. ** §§ | 45 | 1993 | – | ½ | 100 | Swiss Volksbank | 0.500 |
| Sinko Kogyo ** ϕ§ | 20 | 1992 | – | 1⅛ | 100 | Handelsbank NWest | 1.125 |
| IADB § | 75 | 1995 | – | 5¼ | 100 | Credit Suisse | 5.250 |
| IADB § | 75 | 1997 | – | 5½ | 100 | Credit Suisse | 5.500 |
| National House Ind. ** § | 100 | 1993 | – | 0 | * | Credit Suisse | * |
| Pokka Corp. ** § | 50 | 1993 | – | (½) | * | Credit Suisse | * |
| Wacker Chemical ** § | 40 | 1994 | – | 5 | 100 | SBC | 5.000 |
| Wacker Chemical ** § | 50 | 1997 | – | 5¼ | 100 | SBC | 5.250 |
| Thomson-Brandt ϕ§ | 200 | 1997 | – | 2½ | 100 | UBS | 2.500 |
| **GUILDERS** | | | | | | | |
| SBC Finance ϕ | 200 | 1994 | 7 | 4½ | (100) | SBCI Holland | * |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Aerospatiale ** § | 300 | 1992 | 7 | 7½ | 100 | Bqe. Paribas (Lux) | 7.500 |
| Enso-Gutzeit ** § | 300 | 1992 | 5 | 7⅜ | 100 | BIL | 7.375 |
| Skopbank (Cayman) (d) ** § | 200 | 1992 | 5 | 7⅜ | 100 | Caisse d'Epargne | 7.375 |
| **PESETAS** | | | | | | | |
| European Community § | 10bn | 1995 | 8 | 12⅜ | 100 | Banco Ind. Bilbao | 12.375 |
| **STERLING** | | | | | | | |
| Mayne Nickless Fin. §§ | 40 | 1994 | 7 | 7 | 100 | J. H. Schroder Wagg | 7.000 |
| Credit Lyonnais § | 75 | 1992 | 5 | 10½ | 101⅛ | Kleinwort Benson | 10.282 |
| Bell Resources § | 50 | 1997 | 10 | (4¾-5) | 100 | Merrill Lynch | * |

* Not yet priced. ϕ With equity warrants. ‡ Floating rate note. ** Private placement. § Final terms. ¶ Currency-linked. ‡ Convertible. (a) Double convertible into stock or gold cash equivalent. (b) 12½bp over 3m Libor. (c) Launched on US domestic market. (d) Fungible with LFrs 3 VDM launched at end of Sept 1987.

# Ford to buy San Francisco leasing group

By Our Financial Staff

FORD MOTOR is to pay $512m to acquire United States Leasing International (USL), a San Francisco-based company which leases equipment and vehicle fleets.

The agreed deal announced on Saturday is at $68 per share. Mr James Ford, chairman of Ford's finance and insurance subsidiaries, said: 'This transaction is part of Ford's plan to expand its financial services businesses. US Leasing provides an opportunity for the company to add a new business segment to its commercial leasing business.'

USL, with assets of $1.5bn, in February 1986 paid $94m for the car leasing division of Hertz, the rental company which is now being bought from Allegis with a $1.2bn contribution from Ford.

Ford's existing involvements in financial services centre around Ford Motor Credit and First Nationwide Financial, which have combined assets of some $61bn.

# Holmen MD joins PKbanken

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

MR CHRISTER ZETTERBERG, managing director of Holmen, the Swedish pulp and paper group and Europe's leading newsprint producer, has been appointed chief executive of PKbanken, Sweden's second largest bank.

The announcement of his departure from Holmen comes only days after the group came under attack from MoDo, a rival pulp and paper concern, which now controls directly and indirectly a 46.6 per cent voting stake in the company.

Along with Mr Bertil Danielsson, chief executive of PKbanken, who is to retire in March next year, he insisted that the move had been agreed before MoDo last week succeeded in a surprise purchase of an additional 30.5 per cent voting stake in a deal worth SKr1.4bn ($219m).

As recently as May, Mr Zetterberg - with the backing of Holmen's main shareholders - rebuffed an approach from MoDo on the grounds that a merger would bring no advantage.

The 45-year-old Holmen chief executive has no previous experience of banking. He joined Holmen in 1983 and was previously managing director of Tibnor, a steel wholesaler, and Calor Celsius, an installation company. An economist, he started his career with Svenska Cellulosa (SCA), one of the leading Swedish forest products groups, where he was sales and production director for the pulp division.

Mr Danielsson has been PKbanken chief executive for 13 years and was responsible for securing the partial privatisation of the previously wholly state-owned bank in 1984.

He said the bank had been keen to find a leading industrialist to take over the group. "They have experience of how to operate a big company. We already have a lot of bankers inside the bank."

● Perstorp, the Swedish speciality chemicals and plastics group, lifted profits strongly in its latest year and as a result plans to step up its dividend.

After financial items, profits for the year to August rose 41 per cent to SKr441m. Perstorp is raising the dividend to SKr2.4 a share from SKr1.85.

The increase in earnings stemmed from higher productivity in certain business areas, the development of more high-margin products, and lower oil prices during the period which in turn meant lower raw material prices.

The board is proposing a rights issue to raise SKr293m for further acquisitions and investments in plant. Holders of 10 A or B class shares will be entitled to subscribe for one new B class share at SKr160.

Sales for last year rose by 8 per cent to SKr4.25bn, compared with SKr3.941bn the previous year.

Most of divisions showed increased sales, with the strongest increases occurring in surface materials (up 14 per cent to SKr1.03bn), plastic systems (up 18 per cent to SKr245m), electronics (up 15 per cent to SKr500m), and biotechnology (up 16 per cent to SKr250m).

Perstorp has been strengthening its business areas via acquisitions.

# Burlington Northern 27% ahead

By Our Financial Staff

BURLINGTON NORTHERN of the US lifted net profit in the third quarter by 26.6 per cent to $127m ($1.70 a share), compared with $100.3m ($1.25) a year earlier, on revenues of $1.68bn, compared with $1.69bn last year.

Third-quarter profit from its largest business segment, the railway division, was $207m, up from $181m a year ago. The company said railway traffic levels in every commodity group increased from last year's third quarter, with railroad revenue-ton-miles rising by 11 per cent to $53.3m.

Operating income from the group's Interstate Pipeline unit remained steady, at $73m.

The company said earnings from oil and gas interests rose to $17m, from $12m, while forest products posted a net operating profit of $20m, compared with $18m during the third quarter of last year.

The dividend was raised to 55 cents from 50 cents.

# INTERNATIONAL CAPITAL MARKETS

### US MONEY MARKET RATES (%)

| | Last Friday | 1 week ago | 4 wks ago | 12-month High | 12-month Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 7.45 | 7.77 | 7.17 | 11.34 | 5.88 |
| Three-month Treasury bills | 6.75 | 6.64 | 6.34 | 6.75 | 5.05 |
| Six-month Treasury bills | 7.32 | 6.85 | 6.47 | 7.32 | 5.06 |
| Three-month prime CDs | 8.60 | 7.90 | 7.44 | 8.60 | 5.61 |
| 30-day Commercial Paper | 7.60 | 7.40 | 7.32 | 7.70 | 5.65 |
| 90-day Commercial Paper | 8.25 | 7.75 | 7.45 | 8.25 | 5.57 |

### US BOND PRICES AND YIELDS (%)

| | Last Fri. | Change on wk | Yield | 1 week ago | 4 wk. ago |
|---|---|---|---|---|---|
| Seven-year Treasury | 98¾ | - | 9.76 | 9.45 | 9.16 |
| 20-year Treasury | 94⅝ | -2⅞ | 10.05 | 9.76 | 9.59 |
| 30-year Treasury | 90 | -2⅞ | 9.93 | 9.69 | 9.50 |
| New 10-year "A Financi | n/a | n/a | 10.80 | 10.50 | 10.25 |
| New "AA Long utility | n/a | n/a | 11.15 | 10.80 | 10.75 |
| New "AA Long industrial | n/a | n/a | 11.10 | 10.75 | 10.60 |

Source: Salomon Bros (estimates).

Money supply: In the week ended September 28, M1 fell by $3.7bn $751.5bn.

### NRI TOKYO BOND INDEX

| December 1983 = 100 | PERFORMANCE INDEX 8/10/87 | Average yield (%) | Last week | 12 wks ago | 26 wks ago |
|---|---|---|---|---|---|
| Overall | 132.83 | 5.83 | 132.13 | 136.37 | 139.44 |
| Government Bonds | 131.55 | 5.62 | 131.71 | 137.02 | 141.55 |
| Municipal Bonds | 132.94 | 6.21 | 132.39 | 136.76 | 139.24 |
| Govt.-guaranteed Bonds | 133.79 | 6.25 | 133.23 | 137.68 | 140.10 |
| Bank Debentures | 129.70 | 5.53 | 130.37 | 132.19 | 133.82 |
| Corporate Bonds | 132.85 | 6.31 | 132.78 | 136.38 | 136.87 |
| Yen-denom. Foreign Bonds | 135.35 | 6.96 | 136.78 | 139.95 | 138.08 |
| Government 10-year† | - | 6.29 | 6.38 | 4.89 | 4.39 |

† Estimated par yield

Source: Nomura Research Institute

## US MONEY AND CREDIT

# The retreat turns into a rout

JUST ABOUT everything that could go wrong went wrong with the US credit markets last week. Short-term interest rates rose to highs for the year, the banks gratefully lifted prime rates and new offerings of four-year and seven-year government notes fell beneath their issue prices.

The longer maturities fared only a little better, with the 20-year Treasury bond yielding more than 10 per cent for the first time in two years. By Friday, most of the market was bracing itself for a rise in the discount rate.

The US bond markets have been in retreat for the best part of this year, but last week the retreat turned into a rout. Oddly, the loss of nerve had little to do with the markets' traditional bugbears, the dollar exchange rate and the inflation outlook.

The dollar slipped a bit against the yen and the D-Mark, as the foreign exchange markets began to wonder about next week's figures on the trade deficit. The index of commodity prices, which has returned to vogue thanks to the attentions of Mr James Baker, the US Treasury Secretary, ticked upwards.

But even in a market almost wholly taken over by bears, these modest setbacks should scarcely knock more than two points off the treasury 30-year bond, which was yielding a bargain 9.93 per cent by the weekend.

What troubled everybody was evidence that the Federal Reserve is tightening its monetary policy once again. The market believes that the Fed has raised its target for borrowings at the discount window from under $500m to at least $600m, and possibly to $700m.

At the same time, the Fed has permitted the rate for federal funds - at which banks lend to one another overnight - to climb into a range around 7½ per cent, which is where the market expects it to stay. In contrast, Fed funds were trading at 6½ per cent at the beginning of the year.

The effect on money market rates was horrible. Ninety-day certificates of deposit jumped 70 basis points to 8.60 per cent. In the Treasury market, investors scampered for the very short end, restricting the rise in three-month bill yields to 11 basis points at 6.75 per cent. But the six-month bill added 47 basis points of yield to 7.32 per cent, while the new notes both added about 20 basis points to their yield at issue.

At the long end, the rise in 30-year yields would certainly have been greater but for the prospect of a technical shortage in these maturities arising from the congressional ceiling on government debt. Even the stock market took a dive, with the Dow Average falling a record 6 per cent in the week. After all, who is going to buy stocks yielding 2.5 per cent with bond yields pushing double figures?

If the Fed was trying to curb inflationary expectations in the US, it was overdoing things. As Mr Philip Braverman of Irving Securities points out, bond yields last week were rising for fear not of inflation but of Fed firming. "In this respect, the Fed is like a dog chasing its own tail," he says.

But the Fed's actions were all but forced by the tightening of monetary policy abroad. In West Germany, the Bundesbank increased the rate at which it repurchases securities from the banking system to 3.75 per cent while there were rumours of an impending rise in the Japanese discount rate. Dollar rates just had to move up so as to keep attracting foreign buyers into the currency.

The West German and Japanese authorities are trying to rein in money supply which, in Japan at least, has contributed to rampant speculation in property and stocks. Part of the excess money growth may be traced back to heavy intervention from Tokyo and Frankfurt to support the dollar earlier this year. Now that the dollar is a little stronger, these countries are sending belated invoices in the form of higher yen and D-Mark rates.

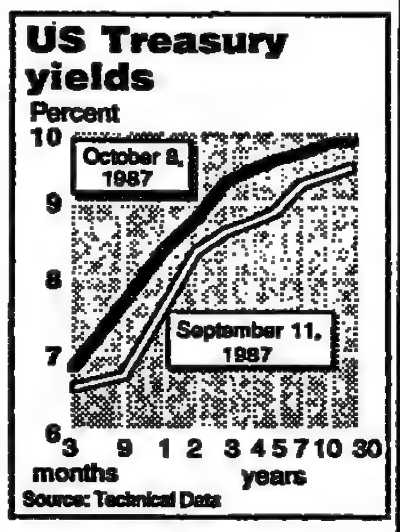
This is a new dilemma for the US credit markets. It now seems that a steady dollar can send US yields higher just as effectively as a weak dollar. Those hoping that good news on the trade deficit this week will rescue the credit markets may have to think again.

* * *

The following are the economic statistics due for release this week, along with market forecasts surveyed by Money Market Services of Redwood City, California:

● Merchandise trade balance in August, due at 8.30am on Wednesday. The market expects an improvement in the trade deficit from July's preliminary $16.5bn to $14.5bn. The 47 economists surveyed ranged in their forecasts from $15.5bn to $13bn.

● Retail sales for September, due at the same time. These are expected to decline by 0.5 per cent after an increase of 1.3 per cent in August. However, the expectations range from an increase of 1 per cent to a decline of 1 per cent.




Source: Technical Data

● Producer prices in September (8.30am Friday). The consensus estimate is for an increase of 0.3 per cent last month after a flat August. The range extends from 0.1 per cent to 0.8 per cent.

● Industrial production in September (9.15am Friday). The market expects an increase of 0.2 per cent after a preliminary 0.3 per cent in August. Forecasts range from a decline of 0.2 per cent to a rise of 0.7 per cent.

**James Buchan**

## UK GILTS

# Buyers not tempted by 10% yields

CENTRAL BANKING is ultimately about tactics. But as major bond markets continue to slide in response to rising inflationary expectations, central bankers appear neither confident nor unanimous over how they should respond.

The depressing international backdrop to the gilt-edged market was evident again last week. Investors took their cue from the tightening in West German monetary policy and the rise in US prime rates rather than from the, admittedly predictable, euphoria at the Conservative Party conference.

Sterling's strength, and the growing perception that there will be ample scope next year for both tax cuts and a lower borrowing target meant that gilt-edged fared much better than most.

But predictions of further rate rises to come in the US, Japan and West Germany left few analysts persuaded that yields of more than 10 per cent on long-dated gilts represented an instant buying opportunity.

Whether bond markets in general are right to be so gloomy about inflation is another question. The turnround in expectations since the spring has been remarkable.

Even discounting the sharp fall on Friday caused by reports of a planned withholding tax, the yield on 10-year West German bonds has risen from around 5.7 per in April to close to 7 per cent now. The comparable figures for Japanese yields are 3 per cent and 5.8 per cent; and for US 8.2 and 9.8 per cent.

The jump in US yields is understandable. Despite the burst of optimism which followed Sepetmber's meeting of the International Monetary Fund, there is widespread agreement that overseas investors will be reluctant to finance the twin US deficits at current exchange rates and yields.

The fine print of the latest US deficit-reduction bill suggests that further cuts in the budget deficit will be far from easy. In parallel, most central banks accept that propping up the dollar indefinitely with massive intervention is not a viable option.

But if the case for a widening of the rates differential between the US and elsewhere is relatively strong, it is hard to fully explain the more general unease.

The sharp rise in commodity prices over the last year - The Economist index shows an increase of 18 per cent in SDR terms - provides a partial answer. So also does the perception that by locking themselves into semi-fixed exchange rates, Japan and West Germany have eroded their ability to disassociate themselves from higher US inflation.

The fact that it is the US and the UK - high-inflation countries - which have been most vocal in their dismissals of market concerns does not help.

That said, it is easy to sympathise with the prevailing official view that bond markets have over-reacted.

The upturn in recorded inflation rates is in part merely an arithmetical consequence of the fact that the impact of last year's oil price collapse is now falling out of annual price comparisons. If other commodity prices have been rising, they are still depressed when measured against the average level of the last few years.

The IMF forecasts that the average inflation rate of the Group of Seven nations will edge up to 3.5 per cent in 1988 from 3 per cent this year, hardly suggest a need to press the inflation panic button - particularly since real interest rates remain at historically high levels.

That, however, does not make the need for a concerted central bank approach any less crucial.

The Bundesbank has so far responded with a gradual policy tightening and the Bank of Japan may soon do the same. Mr James Baker's comments on Friday suggest that, despite his anxiety over growth rates outside the US, he is not entirely without sympathy for such tactics.

The danger is that small administered upward moves in short-term rates will exacerbate rather than dampen inflationary concerns. The markets may read them not as a signal of central bank resolution but as an endorsement of their own concerns.

Rate rises outside the US may also weaken the political backing for a pre-emptive move by the Federal Reserve. It is not easy for the Fed to push up its rates if that looks like triggering another round of increases elsewhere.

As Mr Baker acknowledged, there is a lot of inflationary psychology around - reversing it without risking a recession will need rather more co-operation among central banks than has so far been in evidence.

**Philip Stephens**

## FT/AIBD INTERNATIONAL BOND SERVICE

| US DOLLAR STRAIGHTS | Issued | Bid price | Chg on week | Yield |
|---|---|---|---|---|
| ABN Bank 8½ 91 | 150 | 96⅛ | −1¼ | 9.86 |
| Aetna Life & Cas 7¼ 16 | 200 | 88⅞ | −0½ | 8.82 |
| AHFC O/S Fin 11¼ 94 | 100 | 98¾ | −1⅛ | 12.12 |
| AIDC 11 89 | 75 | 100⅝ | −0½ | 10.34 |
| Alcoa Australia 11 92 | 80 | 99⅛ | −1 | 11.17 |
| [illegible] | | | | |
| Pru Rlty Secs 0 99 | 365 | 30⅛ | −0¼ | 11.22 |
| Qantas Airways 8⅝ 96 | 97 | 87⅝ | −0⅜ | 10.92 |
| Quebec Prov 13 90 | 150 | 105⅞ | −0⅝ | 10.62 |
| Queensld Gvt 11¾ 89 | 100 | 103¼ | −0¼ | 9.71 |
| Ralston Purina 11¾ 95 | 150 | 102⅝ | −0⅞ | 11.18 |
| Reynolds R. J. 10⅛ 93 | 100 | 99⅛ | −0½ | 10.46 |
| [illegible] | | | | |
| Rockefeller Centre 0 00 | 952 | 25½ | −0⅛ | −70.05 |
| Southwest Air 6¼ 98 | 35 | 85½ | −1⅛ | 66.74 |
| Swiss Bank Corpn 6¼ 90 | 120 | 156 | +5½ | −11.58 |
| Texaco Capital 11¾ 94 | 500 | 107¼ | +2⅛ | 34.06 |
| Toshiba Ceramics 3 00 | 50 | 165 | +10½ | −2.89 |
| Xerox Corpn 5 88 | 75 | 96¼ | −0¼ | 89.93 |
| [illegible] | | | | |

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon. CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant premium=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on October 9.

# UK COMPANY NEWS

## United Newspapers sells retail chain for £27m

BY PHILIP COGGAN

United Newspapers, is selling its retail newsagent chain, United News Shops, to the management for £27m in cash. A buyout consortium has been set up to acquire UNS, which has 240 outlets concentrated mainly in the north and east of the UK.

The sell-off comes just a fortnight after Mr Rupert Murdoch's News Corporation bought into the newsagent business by taking a one-third share in Forcefern, a company especially established to buy the Martins chain from Guinness for £202m.

Until the News Corp deal, United had been the only national newspaper publisher to own such a chain. But United's £250m purchase of Extel in June caused "a rethink of strategy" according to Sir Gordon Linacre, the group's chief executive.

"We could have gone on expanding the news-shops and spending more and more money" added Sir Gordon "but we felt that such resources would have been better spent developing our core businesses". As part of the policy of disposing of peripheral operations, United earlier this month announced the sale of Burrups Printing Group, previously part of Extel, to St Ives for £45m, despite the presence of a rival offer from a management buyout team.

Sir Gordon said that three or four groups, other than the management, had expressed interest in acquiring UNS but the buyout was the only fully-fledged offer on the table. UNS, which was formed in 1978 when United merged two regional chains, made pre-tax profits of £1.66m in 1986. Its net assets, including properties, are valued at £6.68m.

Citicorp Venture Capital is backing the buyout, with Charterhouse Development Capital and Standard Chartered also believed to be investors.

## FT offered stake in Canadian venture

BY RAYMOND SNODDY

The Financial Times has been offered a stake in a joint venture to create Canada's first financial and business daily from early next year.

The offer was made in London last Thursday to Mr Frank Barlow, Financial Times chief executive, by Mr Douglas Creighton, president of Toronto Sun Publishing.

The latter announced earlier this month that it had bought the weekly Financial Post from Maclean Hunter for C$46m (£35.2m) in shares. Maclean Hunter owns 57.3 per cent of Toronto Sun Publishing.

The Financial Times is believed to be seriously interested in joining the venture although the issue has still to be considered by the board of Pearson, the information, banking and china group which owns the FT. Informal talks have taken place over the past few months.

Apart from Toronto Sun Publishing, which will hold a majority stake in the venture, and Maclean Hunter, Mr Conrad Black, the Canadian newspaper publisher who holds the controlling interest in the Daily Telegraph, is also likely to participate.

Mr Creighton has said Mr Black has already expressed great interest in the venture and 'if he wants a piece of the action he can have it.' The new paper will be distributed nationally although the 'full thrust of distribution' will be in Toronto.

The offer of a minority stake for the FT comes on the heels of Mr Rupert Murdoch's purchase of a 14.7 per cent interest in Pearson, and criticism that the company may not have moved quickly enough to exploit fully international opportunities for the FT.

At the moment the FT has an exclusive syndication deal for its articles in Canada with the Thomson paper, the Globe and Mail and its Report on Business section. A possible FT stake in the new daily could lead to that contract being reviewed although in most countries the paper is quite happy to do non-exclusive deals with competing publications.

## Wood Mackenzie sale likely

BY CLIVE WOLMAN

THE leading securities firm Wood Mackenzie is likely to be sold within the next two weeks at a price of between £50m and £80m, possibly to a US purchaser.

Mr John Chiene, Wood Mackenzie's former senior partner, has received approaches from several US institutions including the New York commercial bank Morgan Guaranty Trust, which is aiming to build up an investment banking and securities presence outside the US.

Another possible purchaser is Morgan Grenfell, the UK merchant bank, which has already indicated its interest in acquiring a broking firm with strong research and securities disbribution skills to strengthen its securities operations.

Mr Chiene originally suggested that no deal was likely to be concluded before November but negotiations have advanced more quickly than anticipated.

Wood Mackenzie has been excluded from the deal concluded 10 days ago by which its owner the merchant bank Hill Samuel is to be acquired by the TSB banking group for a sum of £777m. Wood Mackenzie, an Edinburgh-based firm which has established itself as one of the leading research houses into UK companies over the last 15 years, was acquired by Hill Samuel in two stages, three years and 18 months ago, for a price of £20m.

The resale price for Wood Mackenzie now being offered by potential purchasers, together with the £95m for which Alexanders Laing and Cruickshank was sold in August to Credit Lyonnais, indicates a steadily rising premium for the larger UK securities firms. This is despite the intense competition and squeezing of profits in the industry since last October's Big Bang reforms and the management and operational weaknesses of many firms which have been exposed by the recent backlog of unsettled bargains.

## Sumrie accounts show parlous financial state

BY PHILIP COGGAN

THE ANNUAL report and accounts of Sumrie Clothes shows that the textiles group is in a parlous financial state.

In August, Master Financial Services and City & Westminster Financial acquired a 28.6 per cent stake and boardroom control of the company. Mr Michael Hepker, the former tax lawyer and his associate Mr Meir Spungin resigned from the board.

Mr David Sinclair, the new chairman, says in the new annual report that the company is still not trading profitably, although the directors are confident that it will shortly do so.

In the year to March 28, the company incurred a retained loss of £179,000. That pushed the cumulative profit and loss account for the company into a debit of £107,000.

As a result, the company's net assets were just £393,000 at the balance sheet date - that is equal to under 16p per share, less than the shares' par value of 20p. The current share price is 178p and the high for the year was 320p.

The amount falling due to creditors within a year is £1.18m - including a loan of £242,000 from Retiro, a company with which Mr Hepker is associated. Retiro has said it will not call for repayment of the loan before July 24, 1988.

Price Waterhouse, the auditor, notes that the accounts have been prepared on a going concern basis as the directors believe that the present facilities will be adequate to enable the group to continue its operations.

## Scottish TV advances to £2.6m at six months

ALTHOUGH THE growth in advertising revenue has slowed down from the high levels of recent years, Scottish Television expects profits for the current year to show a satisfactory increase over 1986 figures.

The ITV contractor reported a 25 per cent increase in interim pre-tax profits to £2.6m (£2.1m) for the six months to June 30. This was achieved on a turnover up 10 per cent at £37.4m. Earnings per share were up from 13.8p to 15.3p and the board has recommended an interim dividend of 3.5p (3p).

Sales of advertising increased slightly from the 1986 level of £31.9m to £33.9m, and sales of programmes and services rose from £2.1m to £3.3m.

Despite the slight reduction in the company's share of revenue, which was predicted last year, prospects for advertising expenditure in the central Scottish market are good.

Sir Campbell Fraser, chairman, said diversification plans had moved ahead with the creation of Holyrood, a subsidiary which is seeking and developing programme opportunities in the United States.

## M Brown denies split in boardroom

The board of Matthew Brown, the brewery currently the subject of a third hostile bid within two-and-a-half years from Scottish & Newcastle Breweries, yesterday issued a statement denying newspaper reports of a boardroom split.

The company said that the directors remained united in their determination to fight off S & N for the third time. "Our defence stategy is unanimously agreed and in place" said Mr Trevor Green, assistant managing director.

Matthew Brown plans to produce its defence document this week. The offer from S & N, which holds a 29.7 per cent stake accumulated in the course of its earlier bids, is three of its shares for every one in Matthew Brown, with a cash alternative of 750p.

## BP turnout totals 6m

BY LUCY KELLAWAY

JUST OVER six million people registered with the British Petroleum information office by the cut off date on Friday, securing for themselves a minimum guaranteed allocation of £350 of BP shares.

The turnout is well short of the 7.5m who registered for the £5.6bn British Gas sale last year. Dewe Rogerson, the advertising and public relations group supervising the marketing of the £7.5bn share sale said yesterday that the figure was 1m more than it had expected at the outset of the campaign.

It said that potential investors were continuing to register with the information office, even through they were no longer eligible for a guaranteed allocation.

## ASDA-MFI sale

The sale of Allied Carpets by ASDA-MFI would probably be announced before the end of the month, a spokesman for the company said yesterday. Allied's management, which submitted a buyout bid of around £120m, is currently believed to have a strong chance of beating off opposing offers.

Last week, ASDA-MFI agreed the sale of the MFI furniture retail chain to its management in a £505m buyout. MFI is also buying Hygena, the privately-owned kitchen and bedfroom maker as part of the deal.

## Wagon expansion

Wagon Industrial Holdings, which has interests in material handling, storage, office equipment and engineering, has bought Radford of Bristol, manufacturer of refrigeration systems for supermarkets, for £4.25m.

The purchase is to be paid for with £2.5m in cash and £1.75m through the issue of 390,625 ordinary shares in Wagon. Additional payments totalling a maximum of £2.5m may be made over the next few years, subject to increasing profit levels at Radford.

## Tubular for USM

Tubular Exhibitions, which manufactures exhibitions stands and crush barriers for crowd control, is to join the Unlisted Securities Market. A placing by Cleves Investments will value the company at around £10m.

## IN BRIEF

HIGHLAND Participants, the oil company traded under Rule 535 (3), which is acquiring fully-listed Appledore and then joining the Unlisted Securities Market, recorded a pre-tax loss of £160,000 in the six months to June 30, against a £542,000 profit in last year's first half.

PARK FOOD has agreed to sell its Millstore fresh convenience foods business to a subsidiary of PA Manufacturing for a minimum consideration of £554,000.

BROOKE TOOL Engineering (Holdings) has acquired the business assets of the tap and die distribution division of LKA. Net consideration is £413,000 for the assets satisfied by cash and a deferred consideration up to £75,000 payable after one year's trading.

UCL GROUP is to pay up to £2m for the privately owned, Coventry-based Computer Factors, which last year made a pre-tax profit of £146,000 on a turnover of £4.4m. Consideration will be £1.5m in or dinary shares and a deferred consideration of up to £500,000 depending upon the level of pre-tax profit of Computer Factors for 1987.

AUDIO FIDELITY: Acquisition of McKenzie Acoustics for £95,000, payable as to £45,000 on completion and £50,000 two years later.

## FINANCIAL TIMES STOCK INDICES

| | Oct. 9 | Oct. 8 | Oct. 7 | Oct. 6 | Oct. 5 | Oct. 2 | 1987 High | 1987 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 85.49 | 85.68 | 85.65 | 85.74 | 85.86 | 85.45 | 93.32 | 84.49 | 127.4 | 49.18 |
| Fixed Interest | 92.20 | 91.88 | 91.90 | 91.88 | 91.76 | 91.64 | 99.12 | 90.23 | 150.4 | 50.53 |
| Ordinary | 1858.2 | 1866.9 | 1853.5 | 1858.3 | 1873.7 | 1831.6 | 1926.1 | 1320.2 | 1926.2 | 49.4 |
| Gold Mines | 449.5 | 445.8 | 450.4 | 444.6 | 439.6 | 467.1 | 497.5 | 288.2 | 734.7 | 43.5 |
| FT-Act All Share | 1216.26 | 1218.65 | 1210.10 | 1213.82 | 1222.12 | 1221.32 | 1238.57 | 835.48 | 1238.57 | 61.92 |
| FT-SE 100 | 2366.5 | 2375.5 | 2359.8 | 2367.9 | 2385.8 | 2382.2 | 2443.4 | 1674.5 | 2443.4 | 986.9 |

# Sykes-Pickavant to join the USM

BY DAVID WALLER

Sykes-Pickavant Group, maker of hand tools which has its origins in the 1920s as a supplier of accessories and components for the Model T Ford, is planning to join the Unlisted Securities Market early next month.

The flotation will take the form of a placing to be handled by Albert E. Sharp, the Birmingham-based stockbrokers, giving the company a market capitalisation of between £10 and £12m at the placing price.

Mr Paul Mindelsohn, the company's chairman, said that it had doubled its turnover in the last five years - in part through cash acquisitions - and felt that it would be grow faster in future by being able to make acquisitions for shares.

Sykes-Pickavant's turnover has more than doubled in the last five years, from £5.2m in 1982 to £11.6m last year. Pre-tax profits have risen from £774,000 to £1.4m over the same period.

Based in Lancashire, the company sells a range of some 800 tools for the automotive and industrial hardware industries. Under the Speedline and Vitrex brand names, it also sells a range of tools which are sold primarily in the retail DIY market.

It has approximately 2400 customers and derives a fifth of its sales from sales overseas to 60 countries.

The company will be raising some new money and intends to have a float of 20 per cent of the enlarged equity. It will back the issue with an forecast of dividend and profits for the current year, giving it a yield of 5-6 per cent at the placing price.

# Mount Charlotte buying eight hotels for £18.7m

BY DINA MEDLAND

Mount Charlotte Investments, the hotel chain, has agreed to acquire Stonefield Castle Hotels' option to buy eight hotels in Scotland and two in the north of England from Ladbroke group for £18.65m.

The company holding the hotels has been renamed Castle Ross hotels, and will be wholly owned by Mount Charlotte.

Mount Charlotte intends to separate the Mercury Hotel Fort William and the Mercury Hotel Inverness from the remaining eight. Mr Peter Ross, a director of Castle Ross hotels and former chairman of Norscot Hotels is to be put in charge of getting these ready for a flotation on the Unlisted Securities Market.

Arrangements for the flotation are expected to take three months, Mount Charlotte said. The company expects to retain a minority stake in Castle Ross Hotels.

Mount Charlotte has had an acquisitive year - in April it bought London Park hotels for a £37m net consideration, and in July three hotels from International Leisure Group for £100m, consolidating its position as the UK's second largest hotel chain operator.

# Bremner agrees Robson terms

BY DINA MEDLAND

Bremner has agreed in principle on the terms for the purchase of regional stockbrokers Robson Cotterell, the company announced.

Carswell,the Glasgow stockbroker, was injected into Bremner, then a shell company, in July as part of a plan to build up a broadly-based financial services business.Carswell's pretax profits were £280,000 for the year to April 24.

The purchase will be at a multiple of Robson Cotterell's pretax profits, which exceeded £400,000 in the year ended May 31.

The directors said it will be satisfied by the issue of shares at 115p,while further payments will be based on a profit formula.

**PERKIN-ELMER** (scientific analytical instruments and software maker): Pre-tax profits £8.61m (£7.67m) for year to June 30 on turnover of £43.9m (£42m). Tax £3.2m (£3.3m). Ultimate holding company is Perkin-Elmer Corporation of the US.

# Bolton House has near 15% of BMT

**SHARES in Business Mortgages Trust, a commercial mortgage company, rose 20p to 115p on Friday after it said Bolton House Securities, an over-the-counter issuing house, had acquired a 14.66 per cent stake.**

**Bolton is chaired by Mr Andrew Millar, who is also the chairman of the Benlox group which has launched a bid for Storehouse, the retail group.**

**Mr Jim Perry, managing director, said that Bolton had bought the shares from Mr Brian Peachey, BMT's chairman. It viewed the stake as an investment and there were no plans for a bid.**

**Mr Andrew Davison, BMT chief executive, said he thought the two companies could work well together. At yesterday's close BMT was capitalised at more than £20m.**

## Automated Security

**Automated Security (Holdings), the electronic security group, has increased its stake in Security Tag Systems, the US company, to 28.4 per cent.**

**AS(H) subscribed for 1.84m new shares at $2.17 per share and Security Tag will use the proceeds to fund its development.**

**Steven Butler** looks at the strategy behind Rutland Trust

# Simple logic that can bring reward

WHEN Mr Michael Langdon was a partner at Price Waterhouse, the accounting firm, he decided that some of his clients were not well served.

While helping fast-growing companies prepare for flotation on the USM, getting their accounts straightened out and advising them, he was unable as the independent accountant to back his advice with financial support.

Issue houses were more than happy to take the companies public quickly. Yet Mr Langdon felt that was not necessarily the best route, and the institutional support for alternative approaches was not always available.

Rutland Trust is Mr Langdon's answer. Known until recently as Kellock Trust, whose factoring interests were recently sold to the Bank of Scotland, Rutland is the shell that Mr Langdon has headed since the start of the year, after a capital injection by the London & Edinburgh Trust, about a year ago, when LET acquired 45 per cent of Kellock.

Rutland is now quickly acquiring structure as a financial services group with an embryonic corporate finance team working out of the central office.

The logic of the group is simple. Rutland is building through acquisition a network of regional insurance brokers, men in close touch with local businesses, to act as the eyes and ears for the group.

"What I want in them is an intelligence system to get to the clients and sell them corporate finance," says Mr Langdon.

That is to be provided in part by Rutland's growing asset-backed finance division, which recently acquired Technology Group, the equipment leasing company. Rutland is also prepared to put in direct equity backing in the form of minor stakes, and to arrange for development capital from outside sources, along with the whole range of fancy paper issues - deferred confertible preference shares or loan notes.

The aim of these schemes is in part to enable entrepreneurs to hang on to their companies for a longer period so they can realise more for businesses when they finally float.

In addition to the corporate finance-related divisions, Rutland also has a professional services division, which includes a loss adjusting firm acquired earlier this year. Mr Langdon, with his experience at Price Waterhouse, believes he knows what makes professionals tick and that he can keep them highly motivated.

The fee-earning professionals provide a convenient, steady cash flow that is unlikely to fluctuate in the same cycles as the rest of the business.

But as Mr Langdon believes firmly in giving entrepreneurs better means to keep control of their companies, he is putting his own group together with the same principles in mind, and this has led to an unusual structure of group ownership.

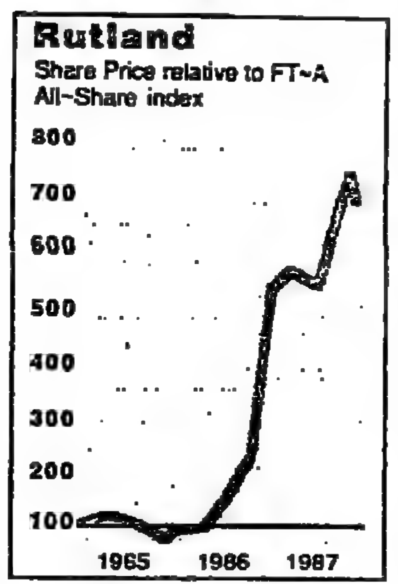
"The days of the independent insurance broker aren't dead," he says. "These guys don't want to sell out. What they want is more things to sell and a backer."

And the wider range of products can include personal pension plans, mortgages, or any other sort of financial service to wealthy individuals or businesses - once the client relationship is established.

Some of Rutland's acquired insurance brokers have turned down much larger cash offers from the big national insurance companies to accept less valuable Rutland paper and the chance to keep, at least for the time being, a 25 per cent stake in their own business.

Rutland acquires firms of insurance brokers or loss adjusters by a formula according to which it buys the outstanding 25 per cent in five or ten years, depending on the age of those involved. The price of the outstanding shares will be equal to a 25 per cent discount on Rutland's average historic price to earnings ratio in the previous two years, times the earnings of the acquired company over the same period.

If a subsidiary manages to maintain a 25 per cent compound annual growth rate for five years, the 25 per cent stake could at the end of the day be worth more than the original 75 per cent stake, assuming that Rutland falls back from its current rather fantastic prospective multiples to something around 20.




The scheme potentially provides strong incentives to subsidiaries to grow the business, while guaranteeing that Rutland can acquire the outstanding shares at a discount to its own p/e, thus keeping Rutland shareholders happy.

Interestingly, Mr Langdon does not consider acquisition of the final 25 per cent to be the end of the day, and would entertain other schemes so that subsidiaries could retain a degree of independence and management ownership. One possibilty, he speculates, is that the insurance broking subsidiaries form a single company and seek a separate listing, in which Rutland would maintain the major stake.

The flexibility in his attitude toward these subsidiaries reflects his main interest. While the profits from subsidiaries and related companies are important, in the end the companies are there to support the central office corporate finance business.

That is now headed by Mr Christopher Dowling, who came over from BZW, the securities arm of Barclays Bank. The team was recently expanded by two recruits, and could grow to include six to eight finance specialists over the next year.

With the heady prospective multiples in Rutland's share price - roughly in the forties for the current year, dropping to the high twenties for next year - it is easy to forget that investors are backing a concept that has yet to be tested. Confidence is boosted by the large LET stake, and even a personal holding by Mr John Gunn, the British and Commonwealth chairman.

Apart from the organic expansion of its subsidiaries, part of Rutland's growth - at least initially - can come from it buying in companies at a discount to its own highly-rated paper.

Mr Langdon is betting that there are many small British businesses which would want to use Rutland's services. But the company's growth would quickly taper off if the synergies he visualises do not materialise.

Notice of Partial Repayment

# U.S. $175,000,000

## Floating Rate Certificates Due 1990
## Payable solely from the proceeds of a Loan made to

**Isveimer**

# Istituto per lo Sviluppo Economico dell'Italia Meridionale

NOTICE IS HEREBY GIVEN that pursuant to the terms of the Loan Agreement of the Certificates, U.S. $48,610,000 principal amount has been drawn for mandatory partial repayment at their principal amounts, together with accrued interest, on 12th November, 1987 (the "Redemption Date"), when interest on the Certificates will cease to accrue.

The serial numbers of the Certificates drawn for the mandatory partial repayment are as follows:

| | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 650 | 1364 | 1987 | 2579 | 3194 | 3812 | 4421 | 4997 | 5593 | 6329 | 6838 | 7550 | 8151 | 8778 | 9414 | 10051 | 10704 | 11343 | 11893 | 12623 | 13204 | 13856 | 14414 | 15042 | 15645 | 16299 | 16906 |
| 5 | 661 | 1365 | 1991 | 2581 | 3207 | 3813 | 4425 | 5001 | 5697 | 6331 | 6841 | 7553 | 8159 | 8779 | 9420 | 10052 | 10707 | 11345 | 11898 | 12628 | 13205 | 13862 | 14416 | 15043 | 15646 | 16306 | 16909 |
| 10 | 673 | 1367 | 1992 | 2583 | 3212 | 3815 | 4427 | 5004 | 5698 | 6333 | 6948 | 7557 | 8160 | 8781 | 9424 | 10056 | 10713 | 11346 | 11899 | 12629 | 13207 | 13864 | 14419 | 15045 | 15648 | 16308 | 16917 |
| 11 | 677 | 1389 | 1994 | 2586 | 3214 | 3818 | 4430 | 5005 | 5706 | 6338 | 6952 | 7560 | 8165 | 8782 | 9428 | 10057 | 10716 | 11347 | 12010 | 12633 | 13209 | 13868 | 14421 | 15051 | 15650 | 16309 | 16920 |
| 14 | 678 | 1373 | 1999 | 2589 | 3217 | 3819 | 4432 | 5007 | 5707 | 6341 | 6956 | 7568 | 8169 | 8793 | 9432 | 10060 | 10719 | 11353 | 12013 | 12639 | 13216 | 13869 | 14425 | 15053 | 15651 | 16312 | 16929 |
| 17 | 682 | 1381 | 2015 | 2596 | 3229 | 3823 | 4436 | 5011 | 5710 | 6342 | 6961 | 7578 | 8177 | 8796 | 9444 | 10068 | 10721 | 11361 | 12015 | 12642 | 13222 | 13871 | 14426 | 15057 | 15656 | 16321 | 16933 |
| 21 | 685 | 1385 | 2019 | 2604 | 3235 | 3826 | 4439 | 5018 | 5716 | 6346 | 6963 | 7579 | 8182 | 8807 | 9447 | 10070 | 10725 | 11364 | 12019 | 12645 | 13223 | 13875 | 14429 | 15062 | 15663 | 16324 | 16934 |
| 29 | 686 | 1388 | 2029 | 2605 | 3238 | 3827 | 4441 | 5027 | 5719 | 6349 | 6964 | 7586 | 8184 | 8820 | 9452 | 10074 | 10730 | 11367 | 12023 | 12647 | 13224 | 13876 | 14430 | 15073 | 15674 | 16327 | 16936 |
| 33 | 690 | 1390 | 2032 | 2608 | 3240 | 3841 | 4442 | 5033 | 5722 | 6357 | 6969 | 7588 | 8186 | 8821 | 9460 | 10076 | 10733 | 11376 | 12028 | 12648 | 13227 | 13877 | 14434 | 15075 | 15675 | 16328 | 16938 |
| 34 | 692 | 1392 | 2033 | 2614 | 3243 | 3843 | 4444 | 5035 | 5726 | 6366 | 6970 | 7592 | 8193 | 8827 | 9462 | 10080 | 10740 | 11377 | 12032 | 12652 | 13229 | 13880 | 14435 | 15076 | 15681 | 16336 | 16942 |
| 39 | 695 | 1397 | 2035 | 2615 | 3244 | 3845 | 4447 | 5037 | 5735 | 6367 | 6980 | 7594 | 8196 | 8832 | 9472 | 10090 | 10743 | 11378 | 12033 | 12655 | 13232 | 13882 | 14437 | 15084 | 15682 | 16339 | 16944 |
| 42 | 697 | 1398 | 2036 | 2619 | 3245 | 3851 | 4449 | 5050 | 5738 | 6368 | 6985 | 7608 | 8197 | 8833 | 9473 | 10093 | 10744 | 11379 | 12034 | 12656 | 13233 | 13887 | 14445 | 15085 | 15686 | 16346 | 16948 |
| 44 | 702 | 1399 | 2039 | 2620 | 3248 | 3862 | 4450 | 5051 | 5744 | 6371 | 6989 | 7613 | 8199 | 8836 | 9476 | 10101 | 10748 | 11381 | 12036 | 12670 | 13235 | 13888 | 14453 | 15087 | 15689 | 16353 | 16952 |
| 50 | 704 | 1402 | 2041 | 2621 | 3252 | 3866 | 4454 | 5054 | 5746 | 6377 | 6992 | 7614 | 8202 | 8837 | 9477 | 10103 | 10751 | 11383 | 12037 | 12671 | 13241 | 13894 | 14454 | 15097 | 15697 | 16354 | 16958 |
| 53 | 705 | 1403 | 2054 | 2628 | 3259 | 3868 | 4460 | 5061 | 5747 | 6378 | 6996 | 7617 | 8207 | 8838 | 9484 | 10106 | 10752 | 11387 | 12039 | 12675 | 13254 | 13896 | 14457 | 15100 | 15704 | 16367 | 16964 |
| 54 | 708 | 1408 | 2060 | 2630 | 3262 | 3872 | 4462 | 5074 | 5755 | 6392 | 7000 | 7618 | 8208 | 8843 | 9485 | 10109 | 10754 | 11388 | 12040 | 12676 | 13255 | 13898 | 14459 | 15101 | 15714 | 16372 | 16967 |
| 57 | 710 | 1432 | 2061 | 2634 | 3265 | 3873 | 4463 | 5079 | 5763 | 6396 | 7001 | 7619 | 8211 | 8849 | 9488 | 10114 | 10758 | 11393 | 12042 | 12678 | 13256 | 13900 | 14460 | 15102 | 15721 | 16375 | 16975 |
| 58 | 718 | 1436 | 2062 | 2639 | 3266 | 3876 | 4464 | 5083 | 5769 | 6397 | 7002 | 7621 | 8212 | 8854 | 9489 | 10117 | 10759 | 11398 | 12047 | 12691 | 13257 | 13903 | 14462 | 15103 | 15722 | 16376 | 16978 |
| 61 | 719 | 1444 | 2072 | 2642 | 3270 | 3879 | 4465 | 5089 | 5776 | 6401 | 7004 | 7624 | 8219 | 8859 | 9490 | 10119 | 10762 | 11402 | 12049 | 12694 | 13261 | 13906 | 14471 | 15105 | 15725 | 16379 | 16982 |
| 62 | 721 | 1458 | 2073 | 2650 | 3272 | 3883 | 4467 | 5095 | 5779 | 6404 | 7005 | 7627 | 8228 | 8865 | 9494 | 10127 | 10769 | 11407 | 12053 | 12701 | 13262 | 13907 | 14472 | 15106 | 15729 | 16387 | 16983 |
| 64 | 723 | 1459 | 2076 | 2652 | 3280 | 3886 | 4470 | 5097 | 5782 | 6405 | 7007 | 7628 | 8229 | 8866 | 9502 | 10132 | 10771 | 11412 | 12055 | 12704 | 13264 | 13910 | 14473 | 15110 | 15738 | 16391 | 16985 |
| 66 | 728 | 1460 | 2081 | 2663 | 3281 | 3889 | 4472 | 5098 | 5785 | 6408 | 7011 | 7629 | 8235 | 8868 | 9505 | 10133 | 10783 | 11429 | 12060 | 12707 | 13273 | 13911 | 14474 | 15111 | 15743 | 16399 | 16987 |
| 68 | 736 | 1461 | 2083 | 2668 | 3283 | 3892 | 4473 | 5107 | 5786 | 6421 | 7012 | 7630 | 8238 | 8871 | 9506 | 10138 | 10789 | 11430 | 12062 | 12709 | 13282 | 13915 | 14482 | 15118 | 15745 | 16400 | 16989 |
| 70 | 744 | 1466 | 2084 | 2670 | 3285 | 3893 | 4475 | 5112 | 5789 | 6422 | 7021 | 7633 | 8241 | 8876 | 9510 | 10142 | 10791 | 11450 | 12069 | 12713 | 13285 | 13917 | 14486 | 15120 | 15754 | 16404 | 16992 |
| 72 | 752 | 1471 | 2089 | 2673 | 3288 | 3895 | 4478 | 5122 | 5790 | 6423 | 7023 | 7637 | 8246 | 8877 | 9511 | 10152 | 10798 | 11460 | 12070 | 12715 | 13290 | 13918 | 14487 | 15121 | 15756 | 16405 | 16993 |
| 75 | 760 | 1472 | 2091 | 2674 | 3290 | 3896 | 4480 | 5126 | 5794 | 6424 | 7028 | 7638 | 8251 | 8879 | 9521 | 10153 | 10801 | 11466 | 12073 | 12716 | 13299 | 13920 | 14502 | 15129 | 15760 | 16408 | 16994 |
| 79 | 764 | 1473 | 2093 | 2676 | 3295 | 3898 | 4483 | 5127 | 5799 | 6426 | 7030 | 7642 | 8253 | 8881 | 9528 | 10158 | 10806 | 11468 | 12075 | 12722 | 13303 | 13921 | 14505 | 15132 | 15761 | 16410 | 16996 |
| 80 | 766 | 1474 | 2094 | 2679 | 3296 | 3906 | 4491 | 5137 | 5803 | 6427 | 7038 | 7643 | 8255 | 8885 | 9531 | 10160 | 10819 | 11469 | 12084 | 12725 | 13304 | 13923 | 14512 | 15135 | 15762 | 16413 | 16998 |
| 84 | 773 | 1476 | 2097 | 2681 | 3303 | 3912 | 4493 | 5145 | 5805 | 6428 | 7039 | 7652 | 8257 | 8887 | 9532 | 10161 | 10820 | 11471 | 12088 | 12731 | 13307 | 13924 | 14514 | 15136 | 15764 | 16421 | 17001 |
| 91 | 776 | 1478 | 2099 | 2684 | 3306 | 3914 | 4494 | 5146 | 5808 | 6429 | 7041 | 7653 | 8261 | 8900 | 9533 | 10164 | 10825 | 11489 | 12090 | 12732 | 13310 | 13927 | 14516 | 15137 | 15765 | 16422 | 17006 |
| 93 | 777 | 1479 | 2100 | 2686 | 3314 | 3921 | 4496 | 5149 | 5809 | 6430 | 7042 | 7655 | 8262 | 8909 | 9535 | 10166 | 10828 | 11493 | 12094 | 12737 | 13311 | 13928 | 14521 | 15142 | 15769 | 16423 | 17009 |
| 102 | 779 | 1481 | 2101 | 2697 | 3319 | 3933 | 4498 | 5150 | 5811 | 6431 | 7047 | 7656 | 8264 | 8910 | 9536 | 10167 | 10830 | 11495 | 12100 | 12738 | 13312 | 13930 | 14525 | 15150 | 15773 | 16425 | 17010 |
| 106 | 785 | 1484 | 2102 | 2699 | 3323 | 3934 | 4504 | 5153 | 5813 | 6449 | 7048 | 7657 | 8265 | 8912 | 9537 | 10168 | 10833 | 11497 | 12102 | 12739 | 13313 | 13938 | 14531 | 15156 | 15775 | 16426 | 17019 |
| 109 | 786 | 1491 | 2103 | 2703 | 3324 | 3937 | 4506 | 5154 | 5814 | 6451 | 7049 | 7660 | 8266 | 8917 | 9538 | 10169 | 10834 | 11499 | 12103 | 12742 | 13314 | 13941 | 14536 | 15157 | 15776 | 16429 | 17023 |
| 111 | 788 | 1503 | 2104 | 2704 | 3327 | 3941 | 4507 | 5160 | 5824 | 6462 | 7058 | 7662 | 8270 | 8925 | 9544 | 10171 | 10846 | 11510 | 12104 | 12746 | 13318 | 13943 | 14538 | 15159 | 15777 | 16430 | 17029 |
| 115 | 793 | 1505 | 2111 | 2705 | 3333 | 3942 | 4509 | 5170 | 5826 | 6470 | 7061 | 7676 | 8272 | 8927 | 9550 | 10174 | 10849 | 11513 | 12107 | 12752 | 13319 | 13945 | 14547 | 15163 | 15784 | 16436 | 17030 |
| 117 | 799 | 1507 | 2113 | 2711 | 3354 | 3943 | 4518 | 5174 | 5830 | 6471 | 7062 | 7686 | 8275 | 8930 | 9559 | 10183 | 10850 | 11514 | 12108 | 12753 | 13320 | 13947 | 14550 | 15171 | 15791 | 16437 | 17031 |
| 118 | 804 | 1509 | 2123 | 2713 | 3361 | 3945 | 4519 | 5175 | 5833 | 6473 | 7064 | 7690 | 8277 | 8933 | 9560 | 10188 | 10851 | 11515 | 12110 | 12754 | 13321 | 13948 | 14551 | 15173 | 15794 | 16444 | 17035 |
| 119 | 807 | 1518 | 2126 | 2726 | 3362 | 3947 | 4520 | 5179 | 5836 | 6479 | 7066 | 7694 | 8280 | 8934 | 9564 | 10194 | 10867 | 11519 | 12112 | 12756 | 13323 | 13949 | 14553 | 15174 | 15801 | 16450 | 17037 |
| 120 | 813 | 1522 | 2127 | 2727 | 3363 | 3954 | 4526 | 5180 | 5840 | 6480 | 7070 | 7697 | 8283 | 8937 | 9571 | 10195 | 10868 | 11520 | 12119 | 12761 | 13325 | 13956 | 14565 | 15176 | 15813 | 16453 | 17043 |
| 132 | 815 | 1526 | 2130 | 2729 | 3365 | 3959 | 4527 | 5190 | 5846 | 6492 | 7076 | 7703 | 8286 | 8942 | 9576 | 10204 | 10869 | 11525 | 12122 | 12762 | 13333 | 13959 | 14566 | 15177 | 15814 | 16456 | 17044 |
| 147 | 823 | 1528 | 2133 | 2733 | 3371 | 3966 | 4530 | 5197 | 5849 | 6494 | 7082 | 7707 | 8289 | 8965 | 9586 | 10206 | 10875 | 11528 | 12126 | 12765 | 13336 | 13962 | 14567 | 15183 | 15822 | 16464 | 17052 |
| 150 | 825 | 1532 | 2135 | 2734 | 3373 | 3978 | 4531 | 5198 | 5851 | 6499 | 7094 | 7709 | 8293 | 8966 | 9593 | 10207 | 10877 | 11531 | 12132 | 12769 | 13337 | 13967 | 14568 | 15184 | 15824 | 16465 | 17060 |
| 151 | 826 | 1535 | 2139 | 2736 | 3388 | 3979 | 4534 | 5202 | 5854 | 6500 | 7099 | 7710 | 8303 | 8969 | 9604 | 10208 | 10878 | 11534 | 12141 | 12771 | 13340 | 13969 | 14570 | 15185 | 15825 | 16472 | 17063 |
| 152 | 829 | 1539 | 2146 | 2737 | 3389 | 3986 | 4537 | 5209 | 5861 | 6501 | 7100 | 7725 | 8308 | 8970 | 9607 | 10210 | 10880 | 11539 | 12146 | 12774 | 13352 | 13973 | 14573 | 15190 | 15831 | 16480 | 17064 |
| 162 | 833 | 1540 | 2148 | 2740 | 3393 | 3988 | 4538 | 5221 | 5867 | 6509 | 7102 | 7726 | 8309 | 8971 | 9610 | 10212 | 10914 | 11544 | 12151 | 12777 | 13354 | 13976 | 14574 | 15195 | 15836 | 16484 | 17065 |
| 166 | 834 | 1546 | 2151 | 2741 | 3397 | 3989 | 4543 | 5222 | 5868 | 6510 | 7103 | 7736 | 8310 | 8979 | 9613 | 10215 | 10917 | 11545 | 12152 | 12782 | 13356 | 13977 | 14575 | 15197 | 15838 | 16487 | 17075 |
| 168 | 836 | 1548 | 2156 | 2744 | 3403 | 3990 | 4544 | 5224 | 5874 | 6517 | 7108 | 7742 | 8311 | 8980 | 9615 | 10218 | 10918 | 11548 | 12163 | 12785 | 13359 | 13978 | 14576 | 15209 | 15839 | 16488 | 17076 |
| 172 | 838 | 1550 | 2160 | 2748 | 3406 | 3993 | 4556 | 5232 | 5876 | 6520 | 7113 | 7744 | 8318 | 8981 | 9624 | 10224 | 10920 | 11549 | 12168 | 12786 | 13363 | 13979 | 14589 | 15217 | 15840 | 16490 | 17077 |
| 173 | 846 | 1551 | 2165 | 2758 | 3413 | 3995 | 4561 | 5233 | 5879 | 6522 | 7114 | 7750 | 8320 | 8984 | 9636 | 10232 | 10925 | 11555 | 12171 | 12790 | 13376 | 13981 | 14593 | 15218 | 15842 | 16491 | 17079 |
| 176 | 847 | 1569 | 2170 | 2762 | 3416 | 4001 | 4562 | 5234 | 5880 | 6524 | 7123 | 7755 | 8321 | 8989 | 9642 | 10235 | 10926 | 11557 | 12178 | 12791 | 13382 | 13984 | 14594 | 15220 | 15843 | 16497 | 17087 |
| 178 | 853 | 1570 | 2174 | 2767 | 3424 | 4005 | 4563 | 5238 | 5881 | 6527 | 7128 | 7756 | 8330 | 8992 | 9643 | 10243 | 10929 | 11560 | 12179 | 12792 | 13385 | 13985 | 14598 | 15223 | 15844 | 16498 | 17090 |
| 180 | 856 | 1576 | 2175 | 2774 | 3425 | 4012 | 4564 | 5239 | 5884 | 6529 | 7129 | 7758 | 8332 | 8993 | 9645 | 10250 | 10931 | 11566 | 12182 | 12793 | 13401 | 13989 | 14600 | 15228 | 15847 | 16503 | 17092 |
| 186 | 867 | 1582 | 2176 | 2782 | 3428 | 4016 | 4578 | 5240 | 5885 | 6533 | 7134 | 7759 | 8339 | 8996 | 9647 | 10251 | 10933 | 11567 | 12185 | 12796 | 13402 | 13990 | 14602 | 15234 | 15853 | 16505 | 17095 |
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| 556 | 1259 | 1864 | 2483 | 3087 | 3702 | 4321 | 4915 | 5577 | 6209 | 6821 | 7427 | 8047 | 8669 | 9310 | 9950 | 10577 | 11247 | 11865 | 12525 | 13106 | 13779 | 14312 | 14946 | 15552 | 16186 | 16806 | 17429 |
| 557 | 1260 | 1867 | 2484 | 3090 | 3704 | 4325 | 4919 | 5583 | 6214 | 6842 | 7428 | 8051 | 8675 | 9311 | 9954 | 10579 | 11249 | 11867 | 12528 | 13107 | 13780 | 14313 | 14947 | 15554 | 16189 | 16808 | 17437 |
| 559 | 1263 | 1869 | 2485 | 3092 | 3705 | 4330 | 4927 | 5594 | 6215 | 6848 | 7432 | 8052 | 8676 | 9312 | 9960 | 10586 | 11250 | 11871 | 12535 | 13112 | 13782 | 14315 | 14962 | 15564 | 16195 | 16812 | 17438 |
| 562 | 1264 | 1874 | 2487 | 3094 | 3711 | 4331 | 4929 | 5595 | 6216 | 6854 | 7444 | 8053 | 8679 | 9316 | 9961 | 10599 | 11253 | 11872 | 12536 | 13115 | 13786 | 14318 | 14966 | 15566 | 16196 | 16823 | 17443 |
| 566 | 1269 | 1876 | 2490 | 3100 | 3714 | 4335 | 4930 | 5602 | 6218 | 6857 | 7446 | 8061 | 8681 | 9317 | 9965 | 10605 | 11255 | 11876 | 12537 | 13119 | 13790 | 14325 | 14967 | 15575 | 16203 | 16824 | 17444 |
| 569 | 1274 | 1881 | 2491 | 3103 | 3716 | 4339 | 4933 | 5613 | 6219 | 6864 | 7450 | 8064 | 8687 | 9322 | 9972 | 10606 | 11261 | 11877 | 12541 | 13122 | 13797 | 14327 | 14968 | 15584 | 16205 | 16825 | 17447 |
| 578 | 1281 | 1882 | 2496 | 3107 | 3718 | 4345 | 4935 | 5621 | 6221 | 6868 | 7455 | 8066 | 8691 | 9337 | 9973 | 10607 | 11267 | 11878 | 12542 | 13123 | 13801 | 14332 | 14972 | 15589 | 16216 | 16827 | 17450 |
| 582 | 1285 | 1897 | 2497 | 3117 | 3723 | 4348 | 4943 | 5623 | 6224 | 6870 | 7457 | 8067 | 8697 | 9340 | 9976 | 10608 | 11272 | 11888 | 12544 | 13126 | 13803 | 14334 | 14976 | 15591 | 16225 | 16829 | 17455 |
| 583 | 1286 | 1900 | 2501 | 3118 | 3736 | 4350 | 4944 | 5631 | 6228 | 6873 | 7458 | 8068 | 8706 | 9342 | 9986 | 10614 | 11279 | 11893 | 12545 | 13130 | 13808 | 14336 | 14977 | 15592 | 16236 | 16830 | 17458 |
| 586 | 1301 | 1904 | 2502 | 3119 | 3737 | 4351 | 4948 | 5635 | 6232 | 6874 | 7460 | 8075 | 8710 | 9344 | 9988 | 10619 | 11280 | 11904 | 12546 | 13131 | 13818 | 14338 | 14981 | 15597 | 16242 | 16833 | 17464 |
| 592 | 1302 | 1905 | 2505 | 3123 | 3741 | 4358 | 4952 | 5636 | 6244 | 6875 | 7464 | 8077 | 8713 | 9345 | 9994 | 10620 | 11288 | 11905 | 12550 | 13136 | 13819 | 14344 | 14983 | 15598 | 16243 | 16836 | 17468 |
| 594 | 1303 | 1912 | 2506 | 3134 | 3742 | 4362 | 4954 | 5640 | 6247 | 6876 | 7466 | 8078 | 8716 | 9347 | 9996 | 10623 | 11289 | 11908 | 12552 | 13139 | 13820 | 14345 | 14984 | 15599 | 16245 | 16848 | 17469 |
| 596 | 1310 | 1919 | 2509 | 3136 | 3744 | 4370 | 4956 | 5641 | 6249 | 6877 | 7468 | 8079 | 8720 | 9351 | 10004 | 10627 | 11291 | 11920 | 12554 | 13142 | 13824 | 14354 | 14985 | 15601 | 16248 | 16854 | 17471 |
| 598 | 1314 | 1921 | 2510 | 3140 | 3746 | 4371 | 4957 | 5642 | 6254 | 6879 | 7470 | 8083 | 8721 | 9355 | 10005 | 10639 | 11297 | 11923 | 12556 | 13147 | 13826 | 14355 | 14986 | 15603 | 16252 | 16856 | 17480 |
| 605 | 1316 | 1926 | 2511 | 3145 | 3748 | 4372 | 4959 | 5643 | 6257 | 6881 | 7472 | 8085 | 8726 | 9360 | 10007 | 10643 | 11299 | 11924 | 12557 | 13150 | 13827 | 14356 | 14988 | 15604 | 16253 | 16859 | 17481 |
| 612 | 1319 | 1928 | 2518 | 3148 | 3755 | 4373 | 4960 | 5646 | 6263 | 6886 | 7474 | 8095 | 8727 | 9372 | 10013 | 10652 | 11303 | 11927 | 12560 | 13158 | 13830 | 14357 | 14989 | 15606 | 16258 | 16860 | 17490 |
| 613 | 1327 | 1929 | 2519 | 3150 | 3756 | 4374 | 4961 | 5653 | 6265 | 6891 | 7484 | 8103 | 8736 | 9373 | 10014 | 10661 | 11306 | 11929 | 12566 | 13160 | 13831 | 14359 | 14990 | 15607 | 16255 | 16861 | 17494 |
| 615 | 1333 | 1931 | 2522 | 3151 | 3760 | 4377 | 4962 | 5656 | 6266 | 6892 | 7488 | 8106 | 8743 | 9374 | 10015 | 10662 | 11309 | 11931 | 12567 | 13161 | 13833 | 14373 | 14991 | 15610 | 16257 | 16865 | 17499 |
| 620 | 1339 | 1933 | 2526 | 3153 | 3762 | 4387 | 4970 | 5660 | 6272 | 6895 | 7490 | 8109 | 8744 | 9375 | 10020 | 10664 | 11314 | 11933 | 12569 | 13164 | 13835 | 14374 | 14993 | 15612 | 16270 | 16867 | |
| 625 | 1340 | 1940 | 2529 | 3154 | 3763 | 4392 | 4975 | 5662 | 6283 | 6897 | 7501 | 8111 | 8746 | 9378 | 10025 | 10674 | 11316 | 11940 | 12571 | 13165 | 13837 | 14381 | 14997 | 15616 | 16274 | 16869 | |
| 627 | 1344 | 1944 | 2531 | 3156 | 3777 | 4393 | 4976 | 5663 | 6291 | 6898 | 7511 | 8121 | 8748 | 9380 | 10027 | 10675 | 11321 | 11947 | 12579 | 13170 | 13839 | 14382 | 14998 | 15618 | 16280 | 16872 | |
| 630 | 1348 | 1947 | 2533 | 3157 | 3781 | 4400 | 4978 | 5664 | 6294 | 6905 | 7517 | 8124 | 8751 | 9382 | 10030 | 10678 | 11323 | 11951 | 12580 | 13171 | 13842 | 14384 | 15000 | 15619 | 16281 | 16873 | |
| 632 | 1349 | 1957 | 2535 | 3166 | 3792 | 4401 | 4980 | 5665 | 6298 | 6911 | 7520 | 8127 | 8758 | 9383 | 10032 | 10679 | 11324 | 11955 | 12583 | 13182 | 13845 | 14390 | 15002 | 15622 | 16284 | 16874 | |
| 635 | 1352 | 1958 | 2548 | 3171 | 3793 | 4402 | 4981 | 5669 | 6305 | 6912 | 7527 | 8137 | 8760 | 9384 | 10038 | 10681 | 11326 | 11959 | 12584 | 13183 | 13847 | 14393 | 15005 | 15623 | 16286 | 16876 | |
| 643 | 1354 | 1963 | 2554 | 3175 | 3794 | 4407 | 4984 | 5673 | 6307 | 6915 | 7528 | 8141 | 8762 | 9385 | 10042 | 10685 | 11330 | 11962 | 12588 | 13186 | 13848 | 14398 | 15014 | 15630 | 16289 | 16887 | |
| 647 | 1358 | 1964 | 2560 | 3178 | 3803 | 4408 | 4985 | 5675 | 6314 | 6919 | 7534 | 8145 | 8765 | 9386 | 10045 | 10686 | 11333 | 11967 | 12595 | 13189 | 13850 | 14405 | 15016 | 15635 | 16291 | 16895 | |
| 648 | 1359 | 1966 | 2562 | 3181 | 3805 | 4409 | 4989 | 5679 | 6315 | 6925 | 7536 | 8147 | 8766 | 9391 | 10047 | 10687 | 11335 | 11969 | 12598 | 13190 | 13854 | 14410 | 15030 | 15637 | 16293 | 16898 | |
| 653 | 1362 | 1973 | 2569 | 3184 | 3807 | 4415 | 4995 | 5682 | 6317 | 6926 | 7545 | 8148 | 8767 | 9404 | 10048 | 10699 | 11338 | 11980 | 12600 | 13195 | 13856 | 14411 | 15031 | 15638 | 16294 | 16900 | |
| 656 | 1363 | 1978 | 2570 | 3190 | 3809 | 4420 | 4996 | 5690 | 6320 | 6937 | 7546 | 8149 | 8774 | 9409 | 10049 | 10700 | 11340 | 11992 | 12601 | 13202 | 13857 | 14413 | 15036 | 15641 | 16297 | 16903 | |

Repayment of principal will be made upon presentation of the Certificates with all unmatured Coupons attached, at the offices of any one of the Paying Agents mentioned thereon.

Accrued interest due 12th November, 1987 will be paid in the normal manner against presentation of Coupon No 5, on the next interest payment date, being 12th November, 1987.

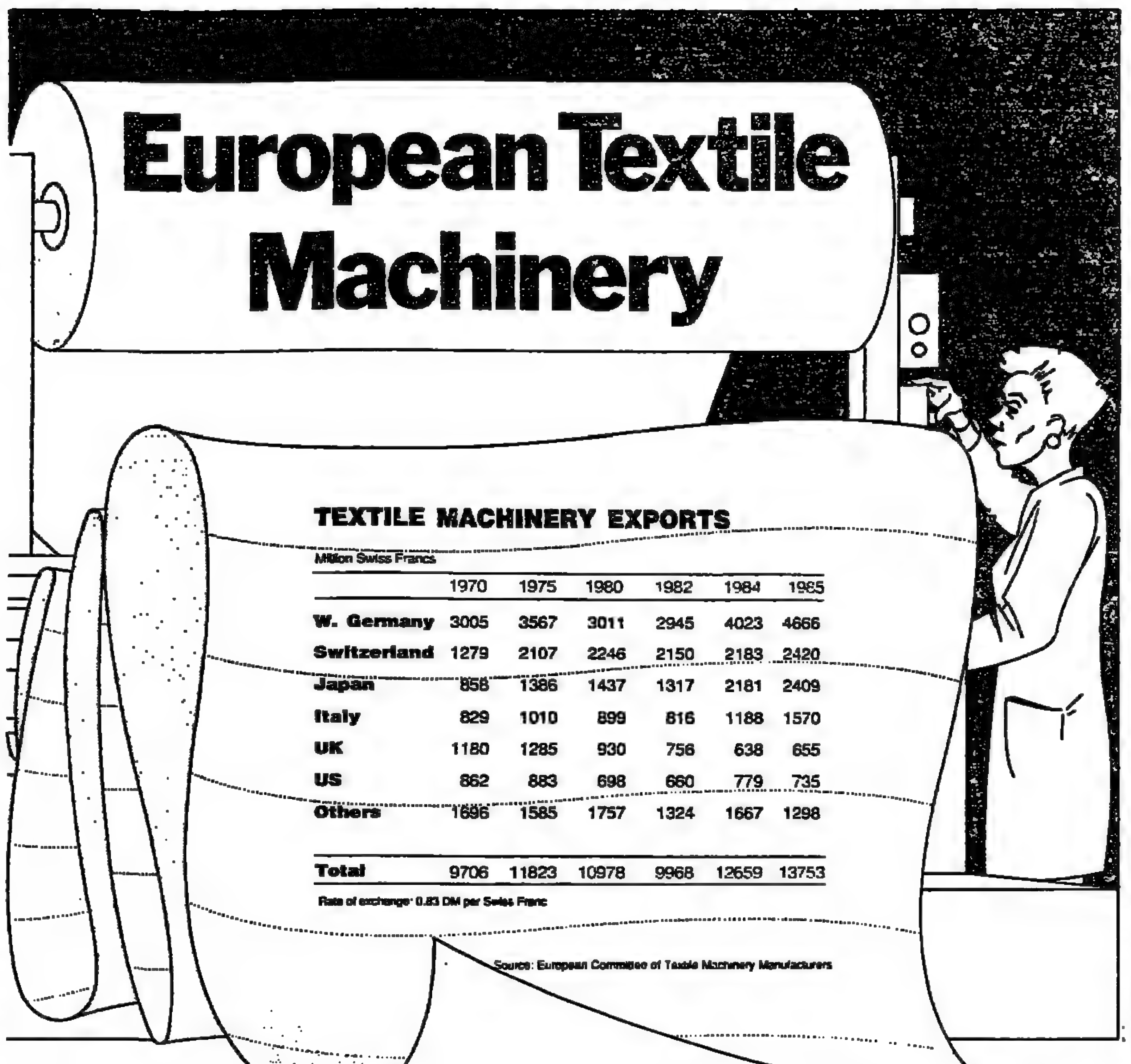
Upon the due date for redemption of any Certificate, unmatured Coupons relating to such Certificate (whether or not attached) shall become void and no payment shall be made in respect thereof.

Where any Certificates are presented for redemption without all unmatured Coupons relating thereto, redemption of such Certificate shall be made only against the provision of such indemnity and security as the Trustee may require.

**Bankers Trust Company, London** — **Agent Bank**

12th October, 1987

FINANCIAL TIMES SURVEY



# European Textile Machinery

**TEXTILE MACHINERY EXPORTS**

Million Swiss Francs

| | 1970 | 1975 | 1980 | 1982 | 1984 | 1985 |
|---|---|---|---|---|---|---|
| **W. Germany** | 3005 | 3567 | 3011 | 2945 | 4023 | 4666 |
| **Switzerland** | 1279 | 2107 | 2246 | 2150 | 2183 | 2420 |
| **Japan** | 858 | 1386 | 1437 | 1317 | 2181 | 2409 |
| **Italy** | 829 | 1010 | 899 | 816 | 1188 | 1570 |
| **UK** | 1180 | 1285 | 930 | 756 | 638 | 655 |
| **US** | 862 | 883 | 698 | 660 | 779 | 735 |
| **Others** | 1696 | 1585 | 1757 | 1324 | 1667 | 1298 |
| **Total** | 9706 | 11823 | 10978 | 9968 | 12659 | 13753 |

Rate of exchange: 0.83 DM per Swiss Franc

Source: European Committee of Textile Machinery Manufacturers

Brana Radovic

European manufacturers are still responsible for three quarters of world textile machinery sales. But the market has become a hostile battleground reports **Nick Garnett**, as electronics have come to dominate design and producers wrestle to keep up with...

## The speed of technology

EUROPE'S TEXTILE machinery makers, displaying equipment at their big international show in Paris this week, find themselves in a world market offering astonishing opportunities but exerting some very unpleasant pressures.

With export sales of around SFr11bn(£4.4bn), Europe accounts for three quarters of the world's trade in textile machinery and has remained firmly in the forefront of this tough and competitive sector.

In West Germany, Switzerland and Italy, the three largest European producer nations of what are increasingly sophisticated and high-cost machines, most companies have been enjoying a four year period of near-booming sales growth following the grim days of recession in the early 1980s.

"We have had such a long period of good business," says the West German textile machinery federation. "There is a growing feeling that it cannot go on like this. But it still does."

West German companies supplied 34 per cent of world exports in 1985 and, if anything, have increased their grip on the industry since then.

But the market is a hostile battle ground. For many types of spinning and weaving machines, there is what amounts to a price war between the biggest competitors. There is also a fierce struggle to keep up with technological changes which are sweeping through this industry probably faster than through any other machine-building sector.

For many types of machines, overall demand in terms of unit sales in the big markets of Asia, Europe itself and North America, has not risen dramatically. What is happening is that the pace of technological change is accelerating, driving up the value of machines.

Electronics represent up to 30 per cent of the value of some of the more sophisticated pieces of weaving and spinning equipment. For a big spinning plant, investment could be of the order of SFr5m per employee. The same trend is happening in niche areas such as tufting, general finishing, dyeing and measuring equipment where the bulk of the much reduced UK textile machinery industry now makes its living.

Textile companies, themselves locked in hard competitive battles are offloading these competitive pressures on to their machine suppliers. The demand for machines with higher speeds, better productivity and quality, and the flexibility for switching materials is becoming increasingly ruthless.

With research and development budgets of machine builders now running up to 10 per cent of sales, this exerts tremendous stress on their staying power. This stress has helped to generate changes within the ownership structure of European textile machinery making.

Smaller companies have run for the cover of bigger ones. Large concerns have sought alliances or outright purchases to broaden their sales and engineering research base. Some companies have just given up.

One of the most striking examples of this was the decision last year by Saurer in Switzerland to abandon the manufacture of weaving machines while continuing to making embroidery machinery.

The past few years have confirmed the status of West Germany as the leading exporter, followed by Switzerland (with 17 per cent of world exports, measured in Swiss francs) and Italy (11.5 per cent) as the dominant producing blocs in Europe. Italy, which had 8.5 per cent of the market ten years ago has been steadily increasing its influence.

The UK, number two in Europe after West Germany twenty years ago, now has around 5 per cent of the market though with important manufacturers for some specific types of machinery. Other manufacturing nations inclnde France, Spain, and Belgium with the big Picanol group.

Eastern Europe is a significant supplier but its influence in export markets has waned. Czechoslovakia invented and was a leading producer of rotor type spinning machinery in the 1970s. While Investa Prague continues to make a lot of these machines, its sales are increasingly confined to Eastern bloc countries.

European producers, though, have to compete on a world stage. Its competitors do not include China which might be the largest producer measured in unit volume but is not an exporting force of any kind. There is now no remaining European producer of really low technology spinning and weaving machinery.

The two significant trends outside Europe have been the steady decline of the US as a textile machine exporter(it now has around 6 per cent of export sales) and the inexorable rise of the Japanese.

Some European producers believe the Japanese growth in this sector has now been halted. "The Japanese are very good and very clever but they are not number one in this industry," says Mr Jacques Mermod, secretary general of Cematex, the federation of European textile machinery builders. "No one really sees a major threat from the Japanese. It still has its traditional markets in Asia."

Some other people are not so relaxed. Japan had 12 per cent of world exports ten years ago but this has climbed up to the Swiss level of around 17 per cent. The Japanese are also becoming tougher competitors in the huge US market.

The big Japanese spinning and weaving machinery producers include Howa, Ishikawa Seisakusho and Toyoda. These companies are sometimes brought together by an umbrella organisation, Toray, to coordinate contract tendering.

There are signs that the Japanese have been losing interest in some types of spinning and weaving equipment but are trying to get a grip of control and automation. Toyoda seems to have virtually withdrawn from blowroom and carding machinery.

Big textile machinery companies have for some time acted as plant contractors, installing, for example a complete spinning mill with its 20 or so separate production processes. The next step will be linking all these processes by a single control system. The West Germans are the leaders in control technology, however, not the Japanese. The Swiss, who were slow to get into electronics are catching up.

Much of the pressure to improve technology is being exerted by European textile companies as Europe continues to win back textile manufacturing from the Far East. The Italian textile industry, already the biggest in Europe is installing new capacity at a tremendous rate. Last year it put in more than 200,000 new spindles for cotton, man-made fibre and wool spinning, according to the International Textile Manufacturers Federation.

"The pace of technological change is quickening," says Mr Herwig Strolz, the federation's director. "The question is, how much can companies afford to spend on research and development?"

The need to answer this question and the severe pressures on machinery prices - even though many producers are making healthy profits - have together forced a significant realignment in the European textile machinery industry during the 1980s.

The collapse and break up of Stone Platt in the UK in 1981 and the decision by the Sears group, the owners of the Bentley mini-empire, to get out of textile machinery at about the same time set in train a series of management buy-outs and acquisitions in Britain which are still continuing.

In mainland Europe, a number of companies have changed ownership though not through management buy-outs. Sulzer, a leading Swiss manufacturer of weaving machinery, purchased Rueti from the Georg Fischer group in 1982. This was a classic case of technological competition. Rueti was a leader in air-jet technology but was finding the development costs of three new machine models very hard going.

This year, the Swiss industry was the subject of another change when Rieter, a big producer of spinning machinery purchased Schubert and Salzer, a West German manufacturer of spinning equipment with special expertise in rotors. Rieter says the purchase was made to broaden its business base to cover the costs of machine development, and to acquire Schubert and Salzer's one hundred research engineers. Rieter now employs 6,400 with yearly sales of more than SFr900m.

The ownership pattern in the West German industry has been pretty stable. However, a few years ago, Schlafhorst, a large maker of rotor spinning and winding machinery and the Reiners family, the majority shareholders in Schlafhorst, effectively took over Zinser, a German manufacturer of draw and ring frames.

Schlafhorst works increasingly closely with Trutzschler, an independent producer of blowroom and carding equipment. Schlafhorst, with Zinser and Trutzschler can then compete for full spinning mill contracts against full-line spinning machinery makers like Rieter. Two months ago, Trutzschler broadened its base by buying Guesken, a maker of small looms.

In Italy, the most significant ownership change was last year's acquisition of the financially-troubled Gardella by Vamatex. This took Vamatex, a family-owned loom producer into spinning machinery designed for jute and other heavy fibres. Vamatex has also purchased Saurer-Diederichs, a French loom maker. In France, SACM decided two years ago to give up almost its entire spinning machine business, a sign of the shrinkage of the French industry.

By far the largest amount of reshuffling though has been in the UK. Most of the separate businesses in the Stone Platt empire survived, though often in reduced form. Platt Saco-Lowell, for example was bought by Hollingsworth on Wheels of the US which last year also acquired Hergeth, a German maker of carding and blending machines. Scragg, a company specialising in texturing machinery and another former

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West Germany is enjoying a 4-year exports upsurge, reports **Andrew Fisher**

# Level of innovation breeds success

AFTER A boom which has already lasted for four years, West Germany's textile machinery makers are starting to wonder how long it will all last. Not that there are any signs of a reverse. Exports have continued rising this year, albeit at a slower pace than in 1986, and order books stretch well into next year, and in some cases even into 1989.

The upsurge of business since 1983 was preceded by a slump in the industry which lasted for nearly nine years. The previous ITMA helped to end the gloom and stimulate renewed growth in orders.Production rose by 70 per cent to an annual DM6.7bn in the 3 years to 1986

The West German industry is by far the biggest exporter of textile machines in the world. It accounts for 35 per cent of the foreign sales of the world's 10 most important producer countries in the sector. Well behind are Switzerland and Japan with around 18 per cent each and Italy with 11 per cent.

As in other industries, it is the high level of innovation that is a key reason for the success of German machines, especially in western Europe and the US. German equipment has a high electronic content to improve both the running of the machines and the quality of their output.

Thus, despite the sharp fall in the dollar, German sales to the US have remained high. In the first half of this year, they were up by 7 per cent. This was after a jump in 1986 to DM 737m from DM 688m, the peak year being 1984 with DM 817m. The sharp rise in the D-mark has certainly made German products much more costly, but US buyers have been enjoying a welcome respite from stiff import competition on textiles as their own currency has fallen. So they are still willing to import machinery from Germany.

Also, many of the machines made in Germany are not matched by US manufacturers, who tend not to achieve the same rate of technological advance. German companies have a high rate of research and development spending, which averages 4 or 5 per cent of turnover, but can rise to 10 per cent at times of intense activity.

On average, the German industry now has an order backlog of eight months, compared with a more usual four or five months in less heady times. But the most successful companies have far more than this. At Truetzschler, which makes spinning machinery, there are enough orders for the next 18 months.

Compared with a turnover level of DM180m last year, double that of 1983, the order book totals DM350m, says Mr Hans Truetzschler, one of the joint family owners and directors. Based in Moenchengladbach, the north-eastern German town which is a main centre of the industry, the company recently bought the nearby company of Guesken to enable it to lift output of its own products.

This year, says Mr Truetzschler, who is also chairman of the textile machinery group in the German mechanical engineering association (VDMA), his company's turnover should be around DM 250m. It also has a plant in the US, in North Carolina, whose output has been expanded in recent years. With the low dollar, the group's ownership of a US plant is a distinct advantage in keeping up sales to what was again the German industry's major market in the first half of 1987, taking DM476m ($260m) of imports from the Federal Republic.

The DM737m of sales to the US achieved in the whole of last year compared with DM738m-worth of products sold to China. Third was Italy, which bought DM519m of German equipment, followed some way behind by France, Britain, and Turkey.In the first six months of 1987, however, China was only in fourth place among the German industry's markets, outpaced by Italy and Taiwan behind the US.

Altogether, Germany's exports of textile machinery totalled DM6bn last year, a rise of 11 per cent. The increase in the first half of 1987 was a more gentle 4 per cent to DM2.93bn, though spinning machinery makers recorded an overall improvement of 17 per cent to DM772m after a 13 per cent advance in the whole of 1986 to DM1.43bn.

For weaving machinery, the export picture has also been favourable. In 1986, foreign sales were 18 per cent higher at DM769m, the first half of this year saw a less dramatic, but still creditable, increase of 9 per cent to DM380m.

Not all parts of the industry are enjoying such a bumper time,however. Makers of knitting machinery are finding that orders are harder to come by in this highly fashion-oriented and more fickle area of the market. "Competition is tougher when business is poor," notes Mr Helmut Holtappels, a textile machinery official at the VDMA.

Although exports of German-made knitting machinery held up well last year, with a 7 per cent advance to DM812m, they slipped by 3 per cent in the first half of 1987 to DM 375m. Also easing this year have been foreign sales of bleaching, dyeing, printing, finishing machines, and of components, accessories, and other equipment.

Most German companies in the industry, which tends to be dominated by family-run businesses, export nearly all their production. At Schlafhorst, also in the spinning machine sector, the proportion is 90 per cent. After its total sales rose from under DM400m in 1982 to nearly DM840m last year, it is aiming for over DM900m in 1987.

As the biggest exhibitors at ITMA, therefore, the German producers are still in good heart and hoping the good times will last as long as the previous recession in the industry.

Italy

# Fashion houses set high standards

Italian success in clothes and fashion underlies the strong position which the country's textile machinery makers have gained in domestic and international markets.

According to Mr Giovanni Rusconi, head of economics and market studies at the trade association, Acimit, supplying the domestic textile industry has been the key factor behind the good results achieved by italian machinery manufacturers.

"Missoni, Armani, Versace and other Italian fashion houses are enormously demanding in specifying materials for clothes they design. The textile industry has had to satisfy these demands."

**Italian Textiles Machinery**

| | 1984 | 1985 | 1986 |
|---|---|---|---|
| Total Sales | 1760 | 2384 | 2710 |
| Exports | 1055 | 1426 | 1627 |
| Italian Imports | 556 | 699 | 886 |
| Trade Balance | 499 | 727 | 741 |
| Gross Fixed Investment | 53 | 55 | 90 |
| Plant Utilisation | 85 | 87 | 90 |

**Main Export Markets**

| | 1984 | 1985 | 1986 |
|---|---|---|---|
| USA | 138 | 160 | 177 |
| China | 64 | 148 | 174 |
| France | 87 | 109 | 122 |
| West Germany | 76 | 94 | 107 |
| Great Britain | 80 | 78 | 83 |
| | 85 | 87 | 90 |

Source: ACIMIT Unit: Lire billion

In responding to stimuli at home, Acimit's members have also put themselves into an excellent competitive position on a worldwide scale. Mr Rusconi says that Italy now commands fourth place in the global export league table for textile machinery, behind West Germany, Switzerland and Japan.

Sales abroad are now clearly crucial to the industry's health. The total value of production last year amounted to L12,800bn, of which nearly 60 per cent was sold in export markets

Hence strong demand from export markets has been the main factor in ensuring the high plant utilisation typical of the mid-1980s. Order books currently stand at about 7 months workand,with an average utilisation factor of over 90 per cent, the industry is pushing up against its capacity boundaries.

"The conditions in which the industry is working are stillexceptionally buoyant. This is the sixth consecutive year of export growth" said Mr Rusconi. Acimit expects that by the end of this year, total sales of L3,000bn will have been registered, of which machinery worth about L1,850bn will have been sold abroad.

One of the features of the sector has been its exploitation of the growth in the Chinese market. Last year sales were L174bn, a significant advance on L148bn in 1985 and a figure which closely matched sales to US, Italy's biggest market,of L177bn.

According to Mr Rusconi, China has currently moved into top place with sales in the current year expected to exceed L200bn. " Textiles have been given an important role in the Chinese Government's plans.They have to renew their plant in order to obtain the qality needed to sell production abroad," he explains.

Just recently,there have been a number of complaints from the People's Republic over machinery received from their Italian suppliers. But Mr Rusconi attributes this sudden spate of complaints to Chinese tactics aimed at delaying payment.

Notwithstanding distance and other difficulties associated with the Chinese market, its attractions have not only been pursued by large manufacturers. Mr Rusconi claims that many of Italy's small companies have succeeded in winning business there. But they may be less enthusiastic to expand their frontiers if credit recovery becomes a significant issue

It is possible however that the Chinese may sometimes have had a genuine cause for complaint against Italian suppliers. Mr Rusconi admitted that after-sales service has been the Achilles heel of Italy's large number of small manufacturers. Ensuring that customers machinery receives attention, as and when needed, requires resources. Though efforts have been made to overcome criticisms with this aspect of the business, and to raise after sales service to satisfactory levels, some small Italian companies may still find the calls on their manpower and finance to be beyond them

Indeed, inadequate financial resources are a more general problem for Italy's small manufacturers."They do not have the capacity to invest in the research and development of new products or for tackling new markets," according to Mr Rusconi. "Individualism and a strong attachment to independence prevent industrialists from cooperating," he adds.

But while fragmentation poses a problem on the one hand, it also offers real and substantial advantages. Above all, small concerns are able to respond quickly and flexibly to changes in market conditions and to match what customers want.

Only a handful of Italy's 400 makers of textile machinery are classified as large or medium in size. The vast majority are small and,generally, very agile."They are able and willing to tailor plant to their customers' precise requirements, Mr Rusconi says.

Though small companies have probably profited most from the market's good conditions, large concerns have also done well. Sales at Nuovo Pignone/Smit have advanced sharply. This subsidiary of the state hydrocarbons holding corporation, ENI had turnover of L95bn last year, against L80bn in 1985 and L60bn in 1984. Three quarters of Nuovo Pignone/Smit's sales are made in export markets.

But whether the companies are large or small, they have had a commmon points of emphasis in their products over recent years. "Until the 1970s, our textile machinery makers were generally looking to produce machines offering higher and higher output. Today's machines are designed to provide environmental protection, noise and dust reduction, energy saving and electronic control," Mr Rusconi notes.

Greater sophistication in textile machinery has caused changes in demand for labour. During the crisis years 1980-81, the industry in Italy shed about 1,500 jobs, mostly from the large companies. But numbers employed has since risen and last year the industry gave work to about 25,500 people. Mr Rusconi noted that whereas the jobs which were lost at the start of the decade called for low skills, those being offered today are for highly qualified staff.

The boom in world demand has been fundamental in permitting Italian textile machinery makers to expand their workforces. There seems to be no concern that a downturn is close to hand. Profits have been adversely affected by the fall in the dollar, but margins were sufficiently fat to absorb the devaluation without excessive changes in price lists. "Makers were laughing before, now they are just smiling" Mr Rusconi says.

Acimit expects that the industry's strengths will continue to lie in spinning,which accounts for 29 per cent of total production and where Gruppo Savio, Marzoli and Vamatex are the big operators, and in dying and finishing which accounts for a further 29 per cent.

Although it ranks as a major manufacturer, Nuovo Pignone/Smit makes machinery for the weaving phase, which accounts for only 13 per cent of total Italian production. The companies around Biella in Piedmont, in the Lombard provinces Milan, Como,Bergamo and Brescia,in the province of Vicenza in the country's north east corner and in the Prato woollens area near Florence are confident that there is still steam left in the engine of demand. They see signs of a pick-up in demand in South America. Acimit belives that Brazil and Argentina could return to occupy significant positions for Italian exports of textile machinery."This year has been richer for light than for shade and the near future certainly-does not look dull" Mr Rusconi adds.

**David Lane**

Switzerland

# Prices cut to bone

Switzerland's textile machinery manufacturers are, like most of their foreign counterparts, having a better time of it. The doldrums of the early 'eighties are long past and the industry as a whole has been experiencing an upswing since 1984.

This is of considerable importance for the overall economy. Textile machines account for the biggest single category in Swiss engineering, itself the country's biggest exporter and employer. Some 70 plants, mainly located in the industrial north-east, have a combined payroll of well over 16,000 and estimated annual sales of SFr2.7bn.

Although textiles were the original basis for Swiss industrialisation, this traditional industry has gone through a drastic re-dimensioning process in the past decades. Since 1975 alone the number of textile operations and corresponding employees has dropped by well over 20 per cent.

Manufacturers have become almost totally reliant on export business, their foreign sales currently accounting for more than 90 per cent of turnover. Switzerland is ranked in second place in world exports, before Japan and second only to West Germany. Major customers are traditionally the United States and Germany itself.

It has been the gradual recovery of the textile industry and the backlog demand for modern, high-efficiency machines which has helped Swiss manufacturers recover from the recession. Between 1983 and 1986 Swiss exports of textile machinery rose by some 37 per cent to last year's figure of SFr2.57bn. In the first half of this year, corresponding billings have fallen off by 4 per cent but this is doubtless just a reflection of exchange-rate developments.

More encouraging 1987 indicators are those in respect of new orders. The volume of orders on hand has been slowly improving, to reach the equivalent of 5.6 months' production by mid-year. This compares with a disastrous 3.6 months at the nadir of the recession in the final quarter of 1982.

For all that, the industry is far from out of the wood. The Swiss Association of Machinery Manufacturers (VSM) says that profit levels are still far from satisfactory. At the same time, the steady improvement of the past couple of years took place from a very low base. For example, the 1984 export total was only slightly higher than that for 1975 - a year in which order books equalled over a year's output. The current 5.6 month figure is, incidentally, barely up to average production times.

In the long term, companies will naturally benefit from their rationalisation and modernisation programmes. On the one hand, capacities have been adjusted to conform with future demand levels, for example, Saurer is phasing out its weaving machinery while concentrating its efforts on the successful line of embroidery equipment. On the other hand, productivity has generally improved and sales programmes enhanced. A lot of money is being spent in-house and there has even been one major acquistion, Rieter Holding increasing its textile machinery turnover by about half to some SFr900m through the take-over of the German spinning machine specialist Schubert + Salzer. This brings it close to the SFr1.15bn of market leader Sulzer, itself profiting from its new Sulzer-Rueti airjet technology and improvements in the field of projectile and rapier machines.

All this naturally takes time to bear fruit, as well as calling for substantial investments - this at a point where competition on world markets is extremely tough. Swiss companies put at a disadvantage by both high production costs and a rock-hard national currency, are frequently required to cut their prices to the bone and this without the hidden or open subsidies granted by the governments of some competitor nations.

As always, Swiss manufacturers are waiting eagerly for the outcome of the Itma textile-machinery exhibition in Paris. Mr Sker de Salis, of the manufacturing company Edouard Dubied, who heads VSM's textile machinery division expressed his confidence at a recent pre-fair seminar that Switzerland would show a "will to retain its current position" in the market - but warned that European and Japanese competitors lack neither dynamism nor ability.

"Though we need fear no-one in the field of innovation, technology, marketing and service, this is unfortunately not the case in respect of financing and export risk guarantees, where we are at a disadvantage."

"In addition, the over-valued Swiss franc is squeezing the margins that we urgently need to retain our financial substance and keep up innovations,"he added.

**John Wicks**

United States

# Hopes of a recovery

THERE HAS been a marked stagnation in investment in new textile machinery by the American textile industry during the past three years. So much so that China, in a concerted drive to build up its textile industry and exports, has overtaken the US as the main destination for textile machinery exports from two of the leading European producers, West Germany and the UK, and become an almost equally important market for most other machine-building countries.

There are several reasons for this fall-off: the fact that the US textile manufacturing sector is dominated by some very large companies has tended to polarise investment patterns - they buy machines in huge quantities or not at all – and the early 1980s have been one of those spending gaps.

There have also been some major upheavals among leading US textile companies, again promoting a more cautious approach to investment, while economic worries for the US generally have not been helped in textiles specifically by spiralling imports from the Third World.

Some analysts have put the US textile machinery investment slump at around 30 per cent a year in the worst of the past few years. But sheer size of the textile manufacturing industry in the States makes the textile machine builders of Europe confident that its displacement by China is temporary, and there are reasons for believing the Americans might be on the verge of an investment surge of their own.

On the basis of turnover and numbers employed, the US can still produce five of the world's top ten textile companies, with Burlington Industries just holding on to the top rating. The other leading names - all, like Burlington with their roots in the cotton sector are Milliken, J.P.Stevens, West Point-Pepperell and Collins & Aikmann.

These majors have a powerful voice, both economically and politically, and in any case the US Administration has always been more sympathetic to demands for tighter curbs on low-cost textile imports than have any of governments in the textile countries of the EEC.

That is partly why the current campaign for tougher controls on textile imports into the USA has progressed so far, despite the apparent reluctance of the US authorities to endorse legislation that would create outrage among America's EEC allies. Basically, the strong protectionist lobby in the US wants 'global ceilings' on all textile imports. Whether these restrictions will be introduced or not, the anti-import attitude of the US textile industry gives it an image of strength and endurance in the eyes of the machine builders seeking to sell their products to the Americans.

ITMA, although it does not have quite the same 'pull' for US textile manufacturers as it has for the rest of the world's industries, undoubtedly influences spending patterns in the States, as it does everywhere else. And the fact that automation is going to be the dominant theme at this month's ITMA event in Paris could not be better suited to the demands of the US textile producers, with their high-volume,high-labour cost profile making them eager potential customers for some of the new automated and robotic textile processing ranges making their debuts at the show.

Air-jet weaving machines, for instance, will be seen turning out fabrics at speeds well over 1,000 metres per minute: the US is already the ideal market for air-jet machines, with its requirement for large quantities of standard fabrics. Increased colour possibilities on air-jet looms from some of the European and Japanese machinery companies will certainly enhance the appeal of these systems to the Americans. Faster rotor spinners, capable of producing finer yarns than previous models, and the new link systems between ring spinning and winding machines,willalso stimulate US interest.

The next 12 months are expected to bring a significantly better investment climate for the US textile manufacturers, but the real bonanza could well be not too far away. As the hosts of their own textile machinery showcase, the ATME-I events held periodically in Greenville, South Carolina, the Americans show a tendency to 'wait and see' what innovations these exhibitions throw up before plunging into really big investment programmes. Inexplicably, the US does not have a major textile machinery manufacturing industry of its own, so the Greenville shows are looked upon as major selling opportunities by the machine builders of Western Europe and Japan.

Two ATME shows are already scheduled for the next 18 months: the autumn 1988 one will feature machinery for fabric manufacture (weaving, knitting) and dyeing and finishing; in spring 1989, equipment for nonwovens and the various yarn manufacturing processes will be exhibited. Although both these sector-specialised shows together are nowhere near as big as an ITMA, they will be eagerly awaited by textile machinery builders worldwide as providing the opportunity for the American textile industry to confirm itself as their biggest and best customer.

**John Williams**

# Specialisation key to fight back

ONCE UPON a time the British textile machinery industry was the most powerful in the world. In the last two centuries, when the British textile industry went from strength to strength, the textile machinery manufacturers flourished with it.

But in the post-war period the British textile industry, and its machinery makers, began to wane. Former colonies, like India, which had once provided a captive market for the Lancashire cotton industry began to establish their own centres of textile production. This took its toll on the textile manufacturers and thus on the domestic market for the machinery industry.

During the same period the textile machinery makers of West Germany and Switzerland began to gather momentum. Later the Italian machine manufacturers emerged as players on the world stage, and in the late 1970s the Japanese followed suit.

The decline of the British industry came to a head in the recession of the late 1970s and early 1980s. Demand for textile machinery throughout the world declined dramatically during that period. British manufacturers faced the parallel problems of high inflation which pushed up costs - and an unfavourable exchange rate against the key currencies of the Deutschmark and the Swiss Franc.

The turn of the decade was marked by the dissolution of Stone Platt and Bentley, the two largest British textile machinery manufacturers.

After the collapse of Stone Platt, its textile interests were broken up. Platt Saco Lowell was bought by Hollingsworth on Wheels, a US group, and Ernest Scragg by Rieter, the Swiss giant. Most of the other Platt businesses were absorbed into management buy-outs. As were the bulk of the Bentley companies after the Sears Group, its parent, withdrew from textile machinery. Bentley Engineering itself, however, was bought by Mayer, one of the large West German groups.

The decline of the British textile machinery industry was dramatic. Between 1970 and 1985, the last year of complete statistics, the value of its exports - generally 80 per cent of sales - almost halved from SFr1.18bn to SFr655m. Even allowing for fluctuations in the exchange rate, this represents a severe slump.

In 1985, Britain lay sixth in the world league table for textile machinery exports - a whisker behind the US - with just 4.8 per cent of a SFr13.7bn market

Yet these apparently bleak statistics shroud a more encouraging picture. In recent years, when worldwide demand for textile machinery has revived, the British industry has stabilised. The 180 companies which make up the sector enjoyed a 25 per cent increase in sales last year, according to the British Textile Machinery Association. Sales are expected to show further growth in the present year.

The companies which have survived the recession have done so by specialising within particular niches of the market. To most manufacturers, specialisation will be the key to success in the future.

A company like Mackie of Belfast, for example, has seen its workforce contract rapidly in recent years - from 5000 people in the 1960s to just 1000 today - yet it has secured its future by specialising in the areas of long staple spinning machinery for wool, jute and linen. In several of its product sectors it dominates the world market. There are no other major Western European competitors in the jute machinery field and the Far Eastern manufacturers produce solely for their indigenous industries.

Similarly Cobble, which is based in Blackburn, has used the capital generated by its strength in the market for carpet tufting machinery to diversify into other areas with the acquisitions of Wilson and Longbottom, a heavy loom maker, and Canber, which makes specialist knitting machines.

Several British companies have made important technological innovations in their specific fields. Platt Saco Lowell, for example, has been at the forefront of the development of friction spinning. Crosrol has been successful in the carding machinery area; as have ICS-Texicon in colour identification and measuring equipment; and Bonas, in narrow fabric weaving.

But the successful British companies restrict their activities to specialist niches of the machinery market. The mass market for weaving and spinning equipment has been left to the West Germans, the Swiss and, latterly, to the Italians.

As Mr Geoffrey Livesey, group managing director of Cobble, said: "It would be very, very difficult for any of us to take on the Germans and the Swiss in that volume area. To be precise it would require a major technical breakthrough and many millions of pounds."

Apart from the hefty cost of research and development, British companies cite the shortage of skilled engineers and designers as the chief problem confronting the industry. Currency poses an additional difficulty. Although for the past few years the exchange rate has been more amenable than in the difficult period of the early 1980s.

In many ways the British textile machinery industry is now operating within a clement climate. "The days when we could blame currency and cost structures for our problems are over," said Mr Gordon Mackie, chairman and chief executive of Mackie. "The emphasis is now on us to produce the quality of products which can compete in world markets."

**Alice Rawsthorn**



# A large amount of reshuffling

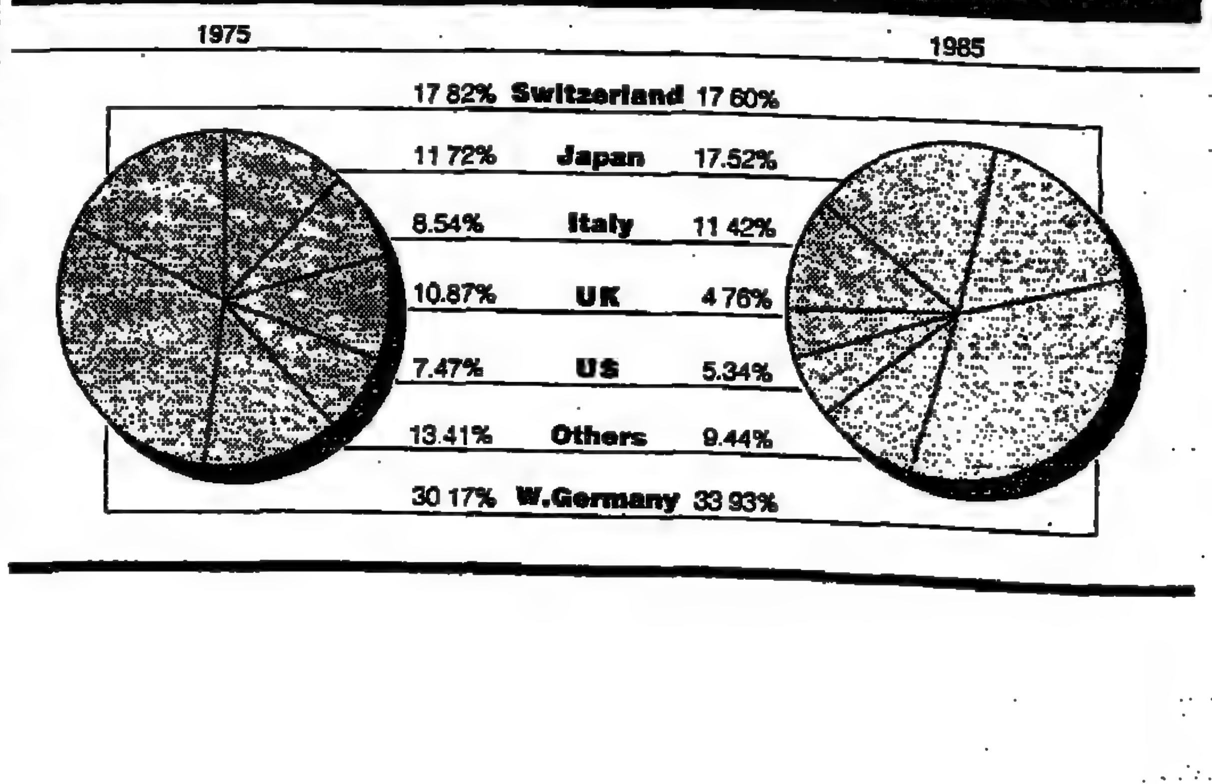
Continued from page 1

Stone Platt company was bought by Rieter five years ago.

Since then, there have been many more changes in the UK. Cobble, a leading maker of tufting machinery has bought a number of companies, including Wilson and Longbottom, a heavy loom maker and Canber which makes knitting machinery. Last year Mayer a German manufacturer of knitting machines took over Bentley Engineering, a former part of the Bentley group specialising in machines for silk and hosiery production and double jersey knitting.

In the long term, producers such as the Koreans or even the Chinese could emerge as threats to the Europeans. At the moment, European manufacturers have a dominant position. But with joint ventures, especially with the Chinese, now much more common, one machine maker says that one issue is "the amount of know-how we should be giving these countries in joint ventures."

**Exports**



New technology

# Cautious approach to new output methods

Textile manufacturers are traditionally cautious in their investment policies. It is an attitude that ensures even the most exciting apparent breakthroughs in textile processing techniques can spend as long as ten years at the 'proving' stage before coming to full commercial acceptance.

Machinery builders supplying the primary textile industry know they face a difficult task in attempting to launch new products that incorporate fresh technological concepts,but the effect of this is not entirely negative: it means, for instance, that there are few spectacular failures, since new machine development are always well-tried before they reach the open market.

Nor is overall technological progress slowed by the careful approach. Textile machinery innovation tends to take the form of modification and improvement of existing ranges, rather than revolutionary new products, but the process of changeis virtually continuous. Rotor spinning machine speeds, for instance, have steadily climbed from around 60,000 rpm to approaching 100,000 rpm in ten years or less, and the progression has been in fairly even stages.

The highly-competitive nature of European and North American textile industries - fighting to hold onto quality marked segments as low-cost imports dominate in mass-produced textiles - has engendered an equally fierce rivalry among machine suppliers. The leading textile machinery builders, in West Germany, Switzerland and Italy, have to invest huge sums in research, as they vie with one another to keep abreast of latest spinning and weaving systems that may not reach the market for another decade.

In the meantime, the established yarn- and fabric-making methods are providing healthy sales returns to finance this massive research activity.

In spinning, there are two dominant production methods. Universally-applicable and the standard by which other yarn-making routes are measured, is ring spinning.For coarser yarns, the younger open-end rotor spinning method has captured a large share of the market because of its high output levels and consequent economy.

But there are large potential gains to be made from developing spinning systems which could threaten the position of ring and rotor and the top names in spinning machinery are all energetically - but largely secretly - pursuing their own ideas of what form such a new technology should take.

Two favourites have emerged: friction spinning, in which the yarn is formed by the frictional effect of passing fibres over drums; and air-jet spinning, in which fibres are wrapped together in a vortex of air.

The friction method has been pioneered in some limited and specific end-uses by an Austrian company, Dr. Ernst Fehrer. But the potential of friction spinning as a high-output means of making yarns has ensured that other leading machine builders such as Schlafhorst (West Germany) and Rieter (Switzerland) have carried out extensive evaluations - without so far arriving at the point of commercial launch.

Only Platt Saco Lowell, a UK company now owned by the Hollingsworth organisation of the US , showed a new friction machine at the last ITMA international machineryexhibition in Milan four years ago, and it is unlikely that this year's ITMA will see any more firms entering the field.

Friction spinning's main drawback is that the yarns produced are not strong enough to stand up to modern high-speed knitting and weaving machines, a problem which increases in proportion to yarn fineness. No-one has yet solved the strength problem, and many experts doubt that a solution will ever be found.

Air-jet spinning, so far virtually the exclusive province of Japanese machinery manufacturers such as Murata, also faces practical limitations, including, for example, the fact that cotton staple fibres are not usually long enough to allow for the wrapping action that is an essential part of the process. Blending the cotton with synthetic fibres such as polyester has provided a partial answer.

Unlike friction spinners, air-jet machines are well-suited to the manufacture of finer yarns - an increasingly important demand of fashion textile companies - since the wrapping action works better with the thinner yarn cross-sections.Both friction and air-jet yarns have another disadvantage though: they are readily identifiable, and lend their own peculiar characteristics to fabrics in which they are used (air-jet products displaying an unpleasant stiffness of handle).

In weaving machinery, three shuttleless fabric-making techniques account for some 70 per cent of world sales, and the outmoded shuttle weaving machines are now really soldonly to developing textile nations. The difference between the main shuttleless looms is is the way in which they send the weft (or filling) yarn across the warp yarns to form the weave. Weft insertion methods can be classified as:

Projectile — developed and still completely dominated by Sulzer Bros., of Switzerland.This is the most versatile weaving system, capable of making almost every type of fabric from any of the yarns commonly used, at fairly high production speeds.

Air-jet — built by companies in Western Europe, the Eastern Bloc and Japan, the air-jet method is characterised by extremely high output rates, at the expense of versatility.

Rapier — the most popular shuttleless weaving system in terms of numbers of manufacturers using it. High speeds and versatility are advantages, but the rapier machines' biggest selling point is their flexibility, enabling style and fabrictype changes to be made very quickly. The machines are thus well-suited to the demands of fast-moving fashion fabric markets.

Even more so than in spinning, the established methods in weaving machinery technology look like retaining their position into the foreseeable future. Multi-shed weaving, a complicated method involving several simultaneous phases of yarn feeding and interlacing, enables fabric to be made at approximately twice the rate of any of the other processes, but it fails to offer a real practical alternative because of its severe limitations in terms of end-use. The stresses of the weaving action and the relatively poor quality of the finished fabric means that multi-shed machines will almost certainly continue to be restricted to basic fabrics such as surgical gauze and cheaper print cloths.

**John Williams**

**Alice Rawsthorn** explains the importance of ITMA which opens in Paris tomorrow

# World's largest industrial exhibition

IN MANY ways its origins were quite inauspicious. The first ITMA - international textile machinery exhibition - was held in the French city of Lille in 1951. It attracted almost 300 exhibitors and was judged to be a success.

Yet the success of that first forum pales in comparison with the scale of the ITMA exhibition which opens tomorrow at the Porte de Versailles in Paris. This forum, the tenth ITMA, will not only be the largest exhibition of textile machinery, but the largest industrial exhibition in the world.

Since the first ITMA, in the early 1950s, the international textile industry has changed beyond recognition. The development of synthetic fibres and the emergence of the Far Eastern industry has revolutionised the textile marketplace. Machinery manufacturers have responded to these changes with a series of innovations, thereby transforming the textile industry from a labour to a capital intensive sector.

As the textile machinery industry has expanded so has the ITMA exhibition. This forum, which will last for ten days, will extend over 146,000 sq metres of floorspace, with 1,260 exhibitors drawn from 33 countries. West Germany, the largest exporter of textile machinery in the world, alone will absorb 40,500 sq metres of the exhibition.

There are other textile machinery exhibitions. Yet these tend to be more modest affairs, chiefly concerned with exhibiting textile machinery to manufacturers within individual countries and specific regions.

By common consensus the ITMA exhibition is the most important of all. First, it is the only truly international forum at which textile and clothing manufacturers gather from all over the world to see the latest developments. Second, it is one of the few exhibitions at which every form of textile machinery is shown from spinning to making up, or from "bale to sale" as industry jargon puts it.

For the textile machinery manufacturers, the ITMA cycle - the exhibition is held at four yearly intervals - dictate the pace of technological innovation. The industry's research and development programmes are geared towards unveiling new products and systems at each exhibition.

From the perspective of their customers - the world's textile and clothing manufacturers - the exhibition acts as a showcase for the very latest technological developments.

Courtaulds, for example, which is one of the most powerful forces in the European textile industry with interests ranging from fibres to branded apparel, intends to send a contingent of 100 people to the exhibition.

Its representatives will range from the board of its textile group to technicians and recent graduate recruits. Courtaulds invests more than £40m a year in capital expenditure for its textile interests, chiefly on textile machinery. Mr John Billing, director of management services for Courtaulds Textiles, said that the company uses ITMA as a forum to "review all our options for new machinery".

As befits the biggest ever ITMA exhibition, the climate for the textile machinery industry is remarkably buoyant. The industry tumbled into recession - reflecting the decline of the global economy - in the late 1970s and early 1980s, but has since embarked upon a recovery.

Textile machinery, like many other industries, has benefited from the improvement in the outlook for the world economy. Yet it has also been helped by two parallel developments.

First, many of the textile manufacturers in developed markets which have survived the world recession have needed to re-equip outdated plant. Second, the pace of technological change within the textile sector has accelerated rapidly over the past decade.

For the companies like Courtaulds, operating within the developed countries, the introduction of new technology to the textile production process has offered a real opportunity to secure the improvements in productivity needed to compete against producers in the developing textile markets, with lower cost structures.

This increased emphasis on new technology from producers in the developed world has been accompanied by the emergence of new textile markets. China, for example, has invested heavily in machinery for its fast growing industry.

As a result, demand for textile machinery has revived. The West German industry alone increased its output by 27 per cent in 1984, 19 per cent in 1985 and by 13 per cent last year, according to the West German Textile Machinery Manufacturers Association. Other national industries have experienced similar growth.

Thus the world's textile machinery industry will gather at the Paris ITMA in a buoyant mood. Whereas in the approach to past exhibitions orders have tended to dwindle, most of the major manufacturers report healthy order books.

The new developments to be unveiled at the exhibition should add a further fillip. The most important innovations are kept under wraps until ITMA opens. The consensus view within the industry suggests that there are unlikely to be radical innovations but that there will be many developments and refinements of existing products and systems.

Most industry observers anticipate further progress towards the integration of the production process: the integration of micro-electronic systems in systems; and the development of more sophisticated computer-aided design packages.

For Mr Edward Smalley, president of Cematex the European textile machinery body which organises the exhibition, the immediate outlook for the industry is buoyant. "Most manufacturers can look forward to the next 12 or 18 months with confidence," he said. "And there is no doubt that the ITMA exhibition will stimulate interest in the industry."

Automation

# Market share weapon

The automation of textile process machinery is now beginning to point towards the era of the totally-automated textile mill.

Switzerland, where the small and specialised textile industry suffers from the highest labour costs in the world, already has one ring spinning mill that is capable of being operated without human contact with the product from the baled fibre to finished spun yarn. Rieter, one of the world's leading builders of spinning equipment, supplied the entire plant.

From the viewpoint of the machinery makers, automation has a practical use as a sales pitch. In an industry where changes in fundamental processsing technology are notoriously slow to gain acceptance, the addition of automatic devices to existing equipment is an effective way of selling 'new model' machines. But automation is not merely a gimmick for textile manufacturers in the developed textile countries of Western Europe and North America. In the battle for market share - in which the low-cost textile suppliers of the Third World are the other protagonist - has accelerated the development of highly-sophisticated automated textile machinery for use by the West's textile producers. Automation is seen by them as bringing advantages in three areas: labour savings; process efficiency and economy; and consistently higher end-product quality.

The first main textile machinery sector to apply microelectronics technology on a large scale was dyeing and finishing. The ready applicability of microprocessor-based control systems for such wet-processing functions as opening water valves and governing flow rates and dwell times for chemical feeds was quickly identified by machine manufacturers. Every finishing range shown at ITMA will have automated process control, at least as an option, available either from the mainstream equipment makers or from one of the dozens of companies now offering control and monitoring devices for dyeing and finishing processes.

Preparation of raw fibre - especially cottons - for spinning has always been one of the most unpleasant and arduous of manual operations for mill workers.

Companies such as Trutzschler of West Germany, can now supplycomplete equipment lines that break open the raw fibre bales, successively blend and clean the fibres and convey them to the subsequent carding process. Ductwork carries away dust and dirt,while air-conditioning systems are an integral part of the process machinery.

Another German company, Schlafhorst, has a co-operation agreement with Trutzschler that is likely to provide one of the most spectacular automation exhibits at the 1987 ITMA show. Treated fibre in large-capacity cans is transported automatically from Trutzschler carding machines to Schlafhorst high-speed rotor spinning frames,via fibre drawing machines made by Schlafhorst associate company Zinser. The transport system is based on an inductive loop circuit that is laid into the floor of the mill.

The rotor spinning machine at the end of this futuristic sequence is the Autocoro, the most successful of the latest generation of open-end spinners. It is itself a fully-automated machine, with a travelling automat managing yarn package changing and re-start operations, all governed by an electronic monitoring and information computer.

Ring spinning, which looks likely to retain its established position as the standard yarn-making method for at least the next decade, has enjoyed a rebirth in the past four years, thanks mainly to the development of bridging units that link ring-frames with the following cone winding operation.

Spin-wind link systems were made possible by the introduction of air splicing techniques for yarn joining,so that continuity between the two processes could be maintained.

Weaving machines present a more difficult technical challengefor automation, but microprocessor-based monitoring, production planning and data recording are commonplace. Handling of heavy cloth rolls still usually means a combination of mechanical trolley devices and human 'power'. Sulzer, the top name in weaving machinery, recently demonstrated an ingenious robot method of cloth beam changing to customers at their Swiss headquarters. But they admit that the labour-saving gains from its use would not be sufficient in any but large-scale weaving sheds.

**John Williams**

# WORLD MARKETS

## FT-ACTUARIES WORLD INDICES

**Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries**

| NATIONAL AND REGIONAL MARKETS | FRIDAY OCTOBER 9 1987 | | | | | THURSDAY OCTOBER 8 1987 | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1987 High | 1987 Low | Year ago (approx) |
| Australia (91) | 169.81 | −0.4 | 152.49 | 156.15 | 2.54 | 170.49 | 153.89 | 156.48 | 180.81 | 99.92 | 88.64 |
| Austria (16) | 101.85 | +0.0 | 91.46 | 96.08 | 2.16 | 102.81 | 91.89 | 96.45 | 102.87 | 85.53 | 94.40 |
| Belgium (48) | 125.71 | +0.3 | 112.88 | 117.34 | 4.02 | 125.34 | 113.13 | 117.61 | 134.89 | 96.19 | 90.18 |
| Canada (129) | 132.86 | −0.7 | 119.31 | 125.69 | 2.34 | 133.74 | 120.72 | 126.28 | 141.78 | 100.00 | 98.30 |
| Denmark (38) | 121.49 | +1.2 | 109.10 | 115.17 | 2.54 | 120.03 | 108.35 | 114.20 | 124.83 | 98.18 | 97.14 |
| France (122) | 107.93 | −1.1 | 96.92 | 102.30 | 2.69 | 109.10 | 98.47 | 103.83 | 121.82 | 98.39 | 96.48 |
| West Germany (93) | 100.00 | −1.7 | 89.80 | 94.28 | 2.00 | 101.75 | 91.84 | 96.41 | 104.93 | 84.00 | 95.14 |
| Hong Kong (46) | 155.12 | −1.3 | 139.30 | 155.50 | 3.12 | 157.23 | 141.92 | 157.58 | 158.68 | 96.89 | 90.30 |
| Ireland (14) | 160.08 | +1.4 | 143.75 | 152.51 | 2.94 | 157.85 | 142.48 | 151.05 | 160.08 | 99.50 | 80.53 |
| Italy (95) | 95.50 | +0.8 | 85.76 | 93.47 | 2.03 | 94.78 | 85.56 | 93.09 | 112.11 | 84.22 | 102.14 |
| Japan (458) | 149.78 | +0.9 | 134.50 | 136.14 | 0.50 | 148.47 | 134.01 | 135.99 | 161.28 | 100.00 | 98.32 |
| Malaysia (36) | 180.46 | +0.5 | 162.05 | 176.29 | 2.03 | 179.59 | 162.11 | 176.07 | 193.64 | 98.24 | 93.28 |
| Mexico (14) | 398.50 | −2.1 | 357.84 | 693.63 | 0.43 | 406.86 | 367.25 | 707.08 | 422.59 | 99.72 | 81.46 |
| Netherland (37) | 122.71 | −0.8 | 110.19 | 114.31 | 3.91 | 123.68 | 111.64 | 115.79 | 131.41 | 99.65 | 96.32 |
| New Zealand (24) | 132.12 | −2.1 | 118.64 | 105.97 | 2.83 | 134.95 | 121.81 | 107.58 | 138.99 | 83.93 | 78.58 |
| Norway (24) | 181.57 | +0.3 | 163.05 | 163.58 | 1.66 | 181.02 | 163.40 | 163.70 | 185.01 | 100.00 | 103.83 |
| Singapore (27) | 171.54 | +0.3 | 154.04 | 165.55 | 1.49 | 171.09 | 154.44 | 165.38 | 174.28 | 99.29 | 100.89 |
| South Africa (61) | 189.44 | +1.7 | 170.11 | 138.04 | 3.03 | 186.20 | 168.07 | 135.69 | 198.09 | 100.00 | 100.22 |
| Spain (43) | 167.74 | +0.7 | 150.63 | 153.19 | 2.59 | 166.54 | 150.32 | 152.79 | 168.81 | 100.00 | 98.35 |
| Sweden (34) | 136.43 | −0.2 | 122.52 | 128.81 | 1.77 | 136.64 | 123.34 | 129.26 | 136.64 | 90.85 | 99.94 |
| Switzerland (53) | 110.33 | −0.7 | 99.08 | 103.15 | 1.60 | 111.11 | 100.29 | 104.60 | 111.11 | 92.01 | 95.31 |
| United Kingdom (335) | 160.98 | +0.3 | 144.56 | 144.56 | 3.11 | 160.56 | 144.93 | 144.93 | 162.87 | 99.65 | 92.11 |
| USA (584) | 127.30 | −1.0 | 114.31 | 127.30 | 2.89 | 128.52 | 116.01 | 128.52 | 137.42 | 100.00 | 97.94 |
| Europe (952) | 129.76 | −0.2 | 116.52 | 119.79 | 2.76 | 130.02 | 117.36 | 120.62 | 130.02 | 99.78 | 94.95 |
| Pacific Basin (682) | 150.62 | +0.7 | 135.26 | 137.27 | 0.68 | 149.51 | 134.95 | 137.19 | 158.77 | 100.00 | 97.64 |
| Euro—Pacific (1634) | 142.34 | +0.4 | 127.82 | 130.29 | 1.44 | 141.78 | 127.97 | 130.58 | 143.65 | 100.00 | 96.58 |
| North America (713) | 127.59 | −0.9 | 114.58 | 127.24 | 2.86 | 128.80 | 116.26 | 128.42 | 137.55 | 100.00 | 97.96 |
| Europe Ex. UK (617) | 110.35 | −0.6 | 99.10 | 104.27 | 2.44 | 111.04 | 100.24 | 105.42 | 111.97 | 98.02 | 96.71 |
| Pacific Ex. Japan (224) | 161.15 | −0.8 | 144.72 | 151.34 | 2.68 | 162.41 | 146.60 | 152.32 | 164.03 | 99.92 | 89.03 |
| World Ex. US (1838) | 142.67 | +0.4 | 128.11 | 130.54 | 1.49 | 142.13 | 128.30 | 130.81 | 143.38 | 100.00 | 96.66 |
| World Ex. UK (2087) | 134.31 | −0.1 | 120.61 | 128.04 | 1.86 | 134.51 | 121.41 | 128.68 | 138.82 | 100.00 | 97.63 |
| World Ex. So. Af. (2361) | 136.35 | −0.1 | 122.44 | 129.47 | 1.98 | 136.51 | 123.22 | 130.11 | 139.47 | 100.00 | 97.12 |
| World Ex. Japan (1964) | 130.44 | −0.6 | 117.13 | 126.26 | 2.81 | 131.28 | 118.50 | 127.27 | 134.22 | 100.00 | 96.56 |
| The World Index (2422) | 136.69 | −0.1 | 122.74 | 129.57 | 1.99 | 136.83 | 123.51 | 130.19 | 139.73 | 100.00 | 97.14 |

Base values: Dec 31, 1986 = 100



Latest prices were unavailable for this edition.

## EUROPEAN OPTIONS EXCHANGE

| Series | | Nov 87 Vol. | Nov 87 Last | Feb 88 Vol. | Feb 88 Last | May 88 Vol. | May 88 Last | Stock |
|---|---|---|---|---|---|---|---|---|
| GOLD C | $460 | 180 | 12.50 | — | — | — | — | $461.50 |
| GOLD C | $480 | 231 | 4.60 | 21 | 16 | 1 | 29 | " |
| GOLD C | $500 | 15 | 3 | 108 | 11.20 | 202 | 19 | " |
| GOLD P | $460 | 92 | 7.50 | 9 | 12 | 2 | 15 | " |
| SILVER C | $750 | 1 | 50 | — | — | — | — | $780 |
| SILVER C | $850 | 7 | 24 | — | — | — | — | " |
| | | Oct. 87 | | Nov. 87 | | Dec. 87 | | |
| $/Fl C | Fl.205 | — | — | 300 | 1.70 | 222 | 2.50 | Fl.204.44 |
| $/Fl C | Fl.210 | — | — | 20 | 0.70 | 200 | 1.20 | " |
| $/Fl C | Fl.215 | — | — | — | — | 70 | 0.50 | " |
| $/Fl P | Fl.195 | — | — | — | — | 20 | 0.80 | " |
| $/Fl P | Fl.200 | — | — | 10 | 1 | 55 | 1.70 | " |
| $/Fl P | Fl.205 | 22 | 1.80 | 178 | 3 | 226 | 4.30 | " |
| $/Fl P | Fl.210 | — | — | 2 | 6.50 | — | — | " |
| $/Fl P | Fl.215 | — | — | — | — | 100 | 12.30 | " |
| | | March 88 | | June 88 | | Sep. 88 | | |
| $/Fl C | Fl.205 | — | — | — | — | 2 | 5.80 | Fl.205.22 |
| $/Fl C | Fl.210 | 4 | 2.40A | — | — | — | — | " |
| $/Fl C | Fl.220 | — | — | 7 | 1.40 | — | — | " |

| | | March 88 Vol. | March 88 Last | June 88 Vol. | June 88 Last | Sept. 88 Vol. | Sept. 88 Last | Stock |
|---|---|---|---|---|---|---|---|---|
| $/Fl C | Fl.200 | 1 | 6.20 | — | — | 2 | 7 | Fl.204.44 |
| $/Fl C | Fl.205 | 13 | 3.90 | 302 | 4.50A | — | — | " |
| $/Fl C | Fl.210 | 103 | 2.40 | 3 | 3 | — | — | " |
| $/Fl P | Fl.195 | 111 | 2.20 | 1 | 4.40 | 3 | 6 | " |
| $/Fl P | Fl.200 | 1 | 4.70 | — | — | — | — | " |
| $/Fl P | Fl.215 | 5 | 14.50 | — | — | — | — | " |

| | | Oct. 87 Vol. | Oct. 87 Last | Jan. 88 Vol. | Jan. 88 Last | Apr. 88 Vol. | Apr. 88 Last | Stock |
|---|---|---|---|---|---|---|---|---|
| ABN C | Fl.50 | — | — | 524 | 0.90 | 270 | 1.70 | Fl.45 |
| ABN P | Fl.46 | 2092 | 1.10 | 2908 | 2.20 | 342 | 3 | " |
| AEGON C | Fl.95 | 79 | 0.10 | 158 | 2.30B | — | — | Fl.85.80 |
| AHOLD P | Fl.100 | 57 | 1 | 29 | 4 | 65 | 4.90 | Fl.100 |
| AHOLD C | Fl.100 | 4 | 1.50A | 2 | 6.80 | — | — | " |
| AKZO C | Fl.170 | 875 | 3.70 | 268 | 11.50 | 68 | 16.50 | Fl.172.30 |
| AKZO P | Fl.170 | 348 | 0.90 | 295 | 7 | 57 | 8.70A | " |
| AMEV C | Fl.60 | 60 | 0.50 | 122 | 2.40 | 33 | 4.50 | Fl.57.60 |
| AMEV P | Fl.65 | 74 | 7.50 | 22 | 7.10 | 166 | 8 | " |
| AMRO C | Fl.90 | — | — | 992 | 1.30 | 21 | 2.50 | Fl.80.30 |
| AMRO P | Fl.80 | 260 | 0.80A | 190 | 2.70 | 14 | 4.50 | " |
| ELSEVIER C | Fl.65 | 119 | 0.10 | 121 | 2.20 | 67 | 4.10 | Fl.57 |
| ELSEVIER P | Fl.60 | 396 | 3.70 | 337 | 5.20 | 13 | 7 | " |
| GIST-BROC. C | Fl.50 | 47 | 0.10 | 150 | 2.40 | 20 | 3.90A | Fl.48.10 |
| GIST-BROC. P | Fl.50 | 203 | 2.70 | 78 | 3.50 | 102 | 5 | " |
| HEINEKEN C | Fl.180 | 10 | 0.20 | 56 | 5 | 4 | 9 | Fl.171.50 |
| HEINEKEN P | Fl.190 | 53 | 19.50 | — | — | — | — | " |
| HOOGOVENS C | Fl.50 | 93 | 0.10 | 149 | 2.30 | 3 | 4.30 | Fl.47 |
| HOOGOVENS P | Fl.50 | 278 | 3.20 | 40 | 5.50 | — | — | " |
| KLM C | Fl.50 | 465 | 1.50 | 363 | 4.60 | 27 | 6.70 | Fl.51.30 |
| KLM P | Fl.50 | 520 | 0.30 | 412 | 2.40 | 264 | 3.70 | " |
| NEDLLOYD C | Fl.190 | 76 | 2.40 | 34 | 13 | 7 | 18.50 | Fl.189 |
| NEDLLOYD P | Fl.190 | 92 | 2.30 | 13 | 12.40 | — | — | " |
| NAT.NED. C | Fl.75 | 228 | 0.20 | 314 | 2.50 | 20 | 4.40 | Fl.70.60 |
| NAT NED P | Fl.70 | 132 | 0.50 | 323 | 3 | 59 | 4 | " |
| PHILIPS C | Fl.55 | 401 | 0.10 | 1128 | 2 | 593 | 3.10 | Fl.51.60 |
| PHILIPS P | Fl.55 | 674 | 3.70 | 2181 | 4.50 | 1577 | 5.60 | " |
| ROYAL DUTCH C | Fl.270 | 205 | 0.70 | 619 | 8 | 121 | 14 | Fl.260.50 |
| ROYAL DUTCH P | Fl.270 | 1157 | 9.70 | 365 | 12.80 | 11 | 15.20 | " |
| ROBECO C | Fl.105 | 5 | 5.90 | 100 | 9.40A | — | — | Fl.110.70 |
| ROBECO P | Fl.115 | 15 | 5 | 1 | 5.40 | 25 | 6.40 | " |
| UNILEVER C | Fl.144 | 168 | 0.10 | 3745 | 4.70 | — | — | Fl.135.70 |
| UNILEVER P | Fl.132 | 49 | 0.50 | 210 | 4 | — | — | " |

TOTAL VOLUME IN CONTRACTS: 65,653

A=Ask B=Bid C=Call P=Put

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 10 | ● Charterhouse Bank | 10 | Nat Bk. of Kuwait | 10 |
| Adam & Company | 10 | Citibank NA | 10 | NatWestminster | 10 |
| Allied Arab Bk Ltd | 10 | City Merchants Bank | 10 | Northern Bank Ltd. | 10 |
| Allied Dunbar & Co | 10 | Clydesdale Bank | 10 | Norwich Gen. Trust | 10 |
| Allied Irish Bank | 10 | Comm. Bk. N. East | 10 | PK Finans. Intl (UK) | 10½ |
| American Exp. Bk. | 10 | Consolidated Cred | 10 | Provincial Trust Ltd | 11 |
| Amro Bank | 10 | Co-operative Bank | *10 | R. Raphael & Sons | 10 |
| Henry Ansbacher | 10 | Cyprus Popular Bk | 10 | Roxburghe G'rantee | 10½ |
| ANZ Banking Group | 10 | Duncan Lawrie | 10 | Royal Bk of Scotland | 10 |
| Associates Cap Corp | 10 | Equat'r'l TstC'p plc | 10 | Royal Trust Bank | 10 |
| Authority & Co Ltd | 10 | Exeter Trust Ltd. | 10½ | Smith & Williams Secs | 10 |
| Banco de Bilbao | 10 | Financial & Gen. Sec. | 10 | Standard Chartered | 10 |
| Bank Hapoalim | 10 | First Nat. Fin. Corp | 11 | TSB | 10 |
| Bank Leumi (UK) | 10 | First Nat. Sec. Ltd | 11 | UDT Mortgage Exp. | ¶11.1 |
| Bank Credit & Comm | 10 | ● Robert Fleming & Co | 10 | United Bk of Kuwait | 10 |
| Bank of Cyprus | 10 | Robert Fraser & Ptrs | 11 | United Mizrahi Bank | 10 |
| Bank of Ireland | 10 | Girobank | 10 | Unity Trust PLC | 10 |
| Bank of India | 10 | Grindlays Bank | 10 | Western Trust | 10 |
| Bank of Scotland | 10 | ● Guinness Mahon | 10 | Westpac Bank Corp | 10 |
| Banque Belge Ltd | 10 | HFC Trust & Savings | 10 | Whiteaway Laidlaw | 10½ |
| Barclays Bank | 10 | ● Hambros Bank | 10 | Yorkshire Bank | 10 |
| Benchmark Tst Ltd | 10 | Heritable & Gen. Tst. | 10 | | |
| Beneficial Trust Ltd | 11 | ● Hill Samuel | §10 | | |
| Berliner Bank AG | 10 | C. Hoare & Co | 10 | | |
| Brit Bk of Mid East | 10 | Hongkong & Shangh | 10 | | |
| ● Brown Shipley | 10 | Lloyds Bank | 10 | | |
| Business Mtge Tst | 10 | Meghraj & Sons Ltd | 10 | | |
| Cl. Bank Nederland | 10 | Midland Bank | 10 | | |
| Canada Permanent | 10 | ● Morgan Grenfell | 10 | | |
| Cayzer Ltd | 10 | Mount Credit Corp. Ltd | 10 | | |

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Savewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 11.125%.

## EQUITIES

| Issue Price | Amount Paid up | Latest Renunc. Date | 1987 High | 1987 Low | Stock | Closing Price | + or − | Net. Div. | Times Cov'd | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| §130 | F.P. | 20/11 | 170 | 154 | Alba 10p | 155 | −1 | L3.8 | 2.2 | 3.3 | 15.8 |
| 221 | F.P. | — | 265 | 221 | Alexander (W) | 261 | −2 | 4.25 | 2.9 | 2.2 | 21.4 |
| 175 | F.P. | 6/11 | 240 | 215 | Anglo Leasing 10p | 230 | −5 | L2.5 | 1.9 | 1.5 | 16.7 |
| ** | F.P. | 23-10 | 27 | 21 | Atlantic Assets Wrnts | 27 | ...... | — | — | — | — |
| §105 | F.P. | — | 160 | 110 | ‡Barmer Homes 10p | 155 | −5 | R2.6 | 2.9 | 2.3 | 20.3 |
| §100 | F.P. | — | 182 | 148 | Butte Mining 10p | 178 | ...... | — | — | — | — |
| 70.3 | F.P. | — | 73 | 48 | CDFC Trust 10p | 72 | ...... | — | — | — | — |
| 50 | F.P. | 9/9 | 110 | 58 | ‡Corp. Estates Prop.5p | 108 | +5 | L0.75 | 2.4 | 0.9 | 58.9 |
| §106 | F.P. | — | 160 | 135 | ‡Dolphin Pack 5p | 148 | +1 | L2.0 | 3.5 | 1.8 | 21.0 |
| 10 | F.P. | 11/12 | 13¼ | 10 | EFM Dragon Trust 5p | 13¼ | +¼ | — | — | — | — |
| ‖‖ | F.P. | — | 268 | 253 | English & Caledonian Inv. | 268 | ...... | — | — | — | — |
| 32 | F.P. | 30/10 | 47½ | 32 | ‡Explaura 5p | 47½ | +4½ | — | — | — | — |
| ** | F.P. | — | 67 | 62 | First Spanish I. T. Wrnts. | 62 | ...... | — | — | — | — |
| 100 | F.P. | 23/10 | 107 | 97 | G.T. Venture 50p.● | 97 | ...... | — | — | — | — |
| ** | F.P. | 23/10 | 23 | 22 | Independent Inv. Wrnts | 22 | ...... | — | — | — | — |
| §15 | F.P. | — | 128 | 121 | ‡Marcol 5p | 122 | −2 | L2.3 | 2.1 | 2.6 | 25.8 |
| — | F.P. | — | 98 | 55 | Moorgate Inv. Warr. | 90 | ...... | — | — | — | — |
| §100 | F.P. | — | 108 | 103 | New Guernsey Securities | 108 | ...... | — | — | — | — |
| §110 | F.P. | 4/8 | 343 | 185 | ‡Parkway 5p. | 343 | +27 | R1.5 | 4.2 | 0.6 | 54.1 |
| §10.58 | F.P. | — | $21¼ | $15 | Portugal Fund $0.01 | $17¼ | ...... | — | — | — | — |
| ¶¶ | F.P. | — | 128 | 105 | *Seacon Holdings | 120 | +2 | — | — | — | 18.2 |
| 130 | F.P. | — | 227 | 180 | Security Archives 20p | 227 | +4 | R4.0 | 2.0 | 2.4 | 27.8 |
| §87 | F.P. | — | 98 | 86 | ‡URS Intl. $0.01 | 91 | −2 | R4.75 | 1.9 | 2.9 | 18.2 |
| §60 | F.P. | — | 93 | 85 | ‡WSP Hldgs. 5p | 85 | −1 | R1.4 | 3.0 | 2.2 | 20.0 |
| ‖‖ | F.P. | — | 166 | 143 | Zetters Leisure 10p | 161 | +3 | L1.5 | 3.7 | 1.3 | 29.2 |

## FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc Date | 1987 High | 1987 Low | Stock | Closing Price £ | + or − |
|---|---|---|---|---|---|---|---|
| 100 | F.P. | — | 110p | 105p | AGB Research 6.21 Cm. Prf. | 110p | +1 |
| 100 | Nil | — | 6½pm | 4½pm | Allied Lond. Props 5¼% Cv.Rd.Pf. | 4½pm | ...... |
| 100 | F.P. | — | 101p | 98½p | Brit. & Comm. 4¼pc Cm Red Prf | 99½p | +1 |
| 100 | F.P. | — | 102 | 97½ | CDFC Trust 6¾pc Cv 2010 | 101p | −1 |
| 100p | F.P. | — | 102p | 97p | Chesterfield Props 5¼pc Cr. Cm. Prf. | 102p | ...... |
| 100 | £10 | — | 11¼ | 10⅜ | Chester Wtr Wks 11¾pc Rd Db '98-2000 | 11 | ...... |
| ¶¶ | F.P. | — | 145p | 130p | Merlin Intl. Cum. Red. Cav. Prf. | 133p | ...... |
| — | F.P. | — | 100⅛ | 99¾ | N'wide Anglia 10⅞ pc. 12.9.88 | 99⅞ | ...... |
| — | F.P. | — | 100⅛ | 99⅞ | Do. 10⅛ pc 26.9.88 | 99¾ | ...... |
| ‖ | Nil | — | 9½pm | 6½pm | Next 5¾% Cnv. 2003 | 5pm | ...... |
| 100p | F.P. | — | 113p | 110p | ‡Wandsworth Tst. 7% Cum. Cnv. Red. Prf. | 111p | ...... |

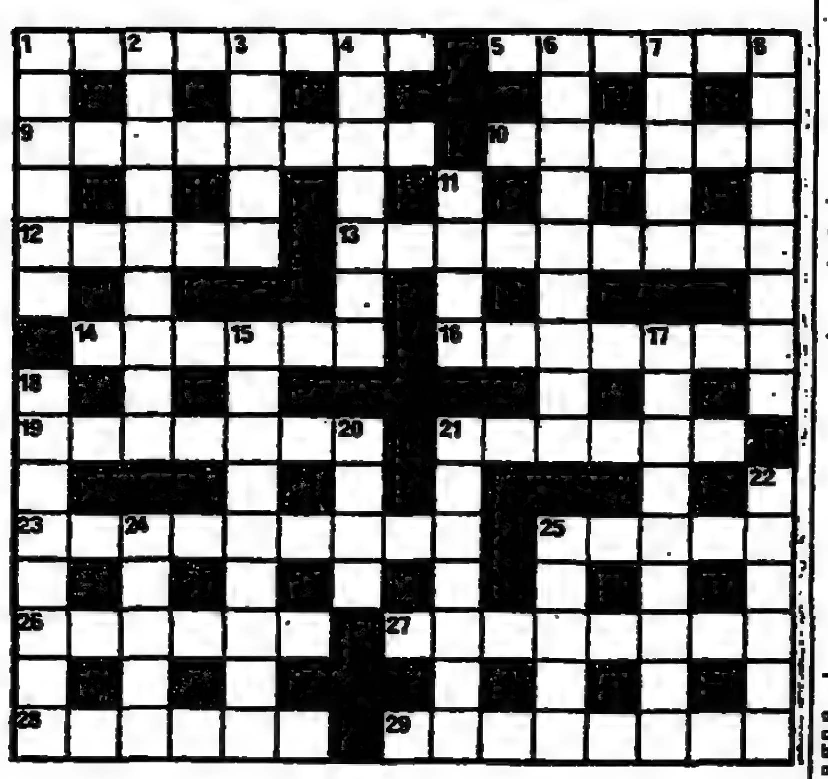
## "RIGHTS" OFFERS

| Issue Price | Amount Paid up | Latest Renunc Date | 1987 High | 1987 Low | Stock | Closing Price p | + or − |
|---|---|---|---|---|---|---|---|
| 100 | Nil | — | 208pm | 158pm | Arley | 203pm | +5 |
| 6 | Nil | 19/11 | 6pm | 5pm | Ass. Brit. Eng.1p | 5pm | ...... |
| 200 | Nil | 12/11 | 36pm | 17pm | Bowthorpe 10p | 32pm | −1 |
| 75 | Nil | 14/10 | 21pm | 9pm | Forward Technology | 20pm | −1 |
| 138 | Nil | 18/12 | 48pm | 35pm | Harris (P) 20p | 48pm | ...... |
| 40 | Nil | 27/11 | 8½pm | 4½pm | Hyman 5p | 4½pm | −½ |
| 400 | Nil | 13/11 | 65pm | 9½pm | Macarthy 20p | 31pm | +6 |
| 145 | Nil | — | 14pm | 11pm | Martin (A.) 20p | 14pm | +3 |
| 425 | Nil | 16/10 | 255pm | 125pm | ‡Miller & Santhouse 5p. | 245pm | −5 |
| 210 | Nil | 18/11 | 28pm | 25pm | Optical & Medical 5p | 25pm | ...... |
| 200 | Nil | — | 106pm | 40p | ‡Pacific Sales 10p | 106pm | +5 |
| 80 | Nil | — | 345pm | 340pm | Press Tools | 360pm | ...... |
| 136 | Nil | — | 48pm | 46pm | ‡Quarto | 48pm | ...... |
| 390 | Nil | 18/11 | 57pm | 30pm | Stebe | 53pm | +2 |
| 248 | Nil | — | 25pm | 22pm | ‡Tod 5p | 22pm | −1 |
| 150 | Nil | — | 40pm | 25pm | ‡Tribble Harris | 35pm | −5 |
| 425 | Nil | 23/11 | 21pm | 6pm | Tyndall Hldgs | 10pm | +3 |
| 300 | Nil | 11/11 | 41pm | 18pm | ‡UTC | 18pm | −5 |

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. q Earnings based on preliminary figures. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures ‡ Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ‡ Placing and offer for sale price. * Third Market. †Issued in £2 Units comprising 2 Ord Shares & 1 Warrant. (Exercisable at 50p into 1 Ord.) ●With warrants

## FT CROSSWORD PUZZLE No. 6,453

HIGHLANDER




**ACROSS**

1 Comes to, a change from being unconscious (8)
5 Programme news is written in the first person, mostly (6)
9 Motored hither and thither around East recording mileage (8)
10 Growth requires diversion and a lot of gusto (6)
12 Beau's name (Mason) sounds like fun (5)
13 The one and only Carol takes Elton off (9)
14 Barrel from Woodstock? (6)
16 Farmers without a bucket for harrowing (7)
19 Late extra expected (7)
21 Fixed and ready for use (6)
23 Send overseas for hearing accessory and unusual diet (9)
25 Afrikaner accepts the point: shelter is provided (5)
26 Not subject to old measure used in print training (6)
27 Briefly put in a head-case (8)
28 Big guns involved in current outburst (6)
29 Game for ski-race against the French (8)

**DOWN**

1 Bird is commonly delight to hear (6)
2 Light whisky (9)
3 Start travelling hither and thither (5)
4 Let issue stay as it is: Americans will wear it (7)
6 Demanding porridge and fish (9)
7 Close on 3rd of October: it's dark then (5)
8 Well outside: posted without thinking (8)
11 Cut legs up (4)
15 Carried off when leather dropped off (9)
17 Unemployed turn to coast (9)
18 Party requires change in position (8)
20 Up-beat issue (4)
21 Beast gives bankbook to auditor (7)
22 To father complaints are superfluous things (6)
24 The Irish are to some extent associated with them (5)
25 Key part of perfect attack (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.



## FT UNIT TRUST INFORMATION SERVICE

### AUTHORISED UNIT TRUSTS

[illegible]

# FT UNIT TRUST INFORMATION SERVICE

**Mercury Fund Managers—Contd.**

| | | | | |
|---|---|---|---|---|
| Gilt | 88.3 | 88.7 | -0.1 | 7.84 |
| (Accum Units) | 105.0 | 105.5 | -0.1 | 7.84 |
| Global Fund | 57.4 | 58.6 | -0.5 | 0.63 |
| (Accum Units) | 57.4 | 58.6 | -0.5 | 0.63 |
| High Income Fund | 56.9 | 60.2 | +0.2 | 4.37 |
| (Accum Units) | 57.8 | 61.1 | +0.1 | 4.37 |
| High Interest Fund | 44.4 | 46.9 | -0.1 | 9.56 |
| (Accum Units) | 45.8 | 48.4 | +0.0 | 9.56 |
| Income | 134.0 | 141.7 | -0.2 | 2.73 |
| (Accum Units) | 154.7 | 163.6 | -0.2 | 2.73 |
| International | 314.1 | 332.5 | -1.2 | 1.85 |
| (Accum Units) | 393.0 | 415.8 | -1.5 | 1.85 |
| Japan | 219.6 | 232.3 | +1.5 | 0.71 |
| (Accum Units) | 225.3 | 238.4 | +1.9 | 0.71 |
| Pacific Fund | 62.6 | 66.2 | -0.5 | 0.10 |
| (Accum Units) | 62.6 | 66.2 | -0.5 | 0.10 |
| Recovery | 344.2 | 364.2 | +0.2 | 2.10 |
| (Accum Units) | 374.3 | 396.0 | +0.2 | 2.10 |
| UK Smaller Co's Fund | 59.3 | 62.7 | +0.2 | 1.58 |
| (Accum Units) | 59.8 | 63.2 | +0.3 | 1.58 |

**Merlin Fund Mngmnt Ltd**
30 St James St, London SW1A 1HB 01-925 1277

| | | | | |
|---|---|---|---|---|
| Merlin Oct 7 | 645.0 | 654.5 | ... | 1.03 |

**Metropolitan Unit Trust Mngrs Ltd**
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

| | | | | |
|---|---|---|---|---|
| UK Income Fund | 67.0 | 71.2 | -0.1 | 4.21 |
| Accum Units | 67.7 | 72.0 | -0.2 | 4.17 |
| UK Growth Fund Acc | 67.5 | 71.8 | +0.4 | 1.59 |
| Global Income Fund | 51.0 | 54.2 | -1.1 | 3.69 |
| Accum Units | 51.0 | 54.2 | -1.1 | 3.69 |
| Global Growth Fund | 51.0 | 54.5 | -0.6 | 0.46 |

**Midland Bank Group UT Mngrs. Ltd**
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

| | | | | |
|---|---|---|---|---|
| Capital | 136.9 | 145.3 | -0.3 | 1.05 |
| (Accum Units) | 189.2 | 200.8 | -0.5 | 1.05 |
| Commodity & Gen. | 198.9 | 211.1 | -0.9 | 1.27 |
| (Accum Units) | 283.9 | 301.3 | -1.3 | 1.27 |
| European Growth | 137.0 | 145.4 | -0.1 | 0.96 |
| (Accum Units) | 165.3 | 175.4 | +0.1 | 0.96 |
| Extra High Inc | 76.5 | 81.2 | +0.5 | 6.14 |

**Provident Mutual Unit Trust Managers Ltd.**
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

| | | | | |
|---|---|---|---|---|
| PM Equity Growth | 128.4 | 136.8 | +0.3 | 0.94 |
| PM Income and Growth | 108.8 | 115.8 | ... | 2.86 |
| PM N American Growth | 56.0 | 59.5 | -1.1 | 0.34 |
| PM European Growth | 53.5 | 56.9 | +0.2 | 0.55 |
| PM Japan Growth | 72.6 | 77.2 | +0.7 | 0.35 |
| PM Overseas Growth | 56.3 | 59.8 | -0.6 | 0.42 |

**Prudential Holborn Unit Trusts Ltd(a) (b) (c)**
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

| | | | | |
|---|---|---|---|---|
| Holborn Comm Tst | 86.9 | 91.9 | -0.3 | 0.35 |
| Holborn Equity Income | 79.2 | 83.8 | +0.1 | 3.07 |
| Holborn Equity Tst | 621.9 | 658.0 | -2.0 | 2.05 |
| Holborn European Tst | 130.6 | 138.1 | +0.1 | 0.60 |
| Holborn Gilt Tst | 206.9 | 215.6 | -1.1 | 2.21 |
| Holborn High Inc Tst | 93.3 | 98.7 | +0.1 | 4.37 |
| Holborn Intl Grth Tst | 128.0 | 135.4 | -0.7 | 0.64 |
| Holborn Intl Sm Cos | 48.4 | 51.2 | +0.3 | 0.05 |
| Holborn Japanese Tst | 145.6 | 153.9 | +1.6 | 0.04 |
| Holborn N. Amer. Tst | 95.9 | 101.4 | -1.6 | 0.48 |
| Holborn Sm Cos Tst | 85.8 | 90.7 | ... | 1.28 |
| Holborn Spec Sits Tst | 114.2 | 120.8 | -0.4 | 1.21 |
| Holborn UK Growth Tst | 125.5 | 132.8 | -0.5 | 1.41 |

**Quilter Management Co Ltd**
31-45 Gresham Street, London EC2 01-600 4177

| | | | | |
|---|---|---|---|---|
| Quadrant Gen. Fd | 692.8 | 739.2 | -0.3 | 1.53 |
| Quadrant Income | 353.9 | 374.6 | +1.8 | 3.55 |
| Quadrant Intl. Fund | 469.1 | 496.5 | ... | 1.01 |
| Quadrant Spec. Sits | 495.4 | 524.3 | +3.1 | 1.11 |

**Reliance Unit Mgrs. Ltd**
Reliance House, Tunbridge Wells, Kent 0892 510033

| | | | | |
|---|---|---|---|---|
| British Life | 256.4 | 271.6 | -1.1 | 2.22 |
| Reliance Unit Tst (Inc) | 180.7 | 192.1 | -0.4 | 1.37 |
| Reliance Ut Tst (Acc) | 244.2 | 259.7 | -0.5 | 1.37 |

**Rensburg Fund Managers**
Stillhouse Ct, Tithebarn St, Liverpool. 051-227 2030

| | | | | |
|---|---|---|---|---|
| Internat. Growth Trust | 52.5 | 55.3 | ... | 1.49 |

# INSURANCES

Continued on next page

# FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 3JS 0603 683986

Norwich Union Life Insurance Soc.

PO Box 4, Norwich NR1 3NG 0603 622200

## OFFSHORE AND OVERSEAS

## MANAGEMENT SERVICES

# FT UNIT TRUST INFORMATION SERVICE

# LONDON SHARE SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| Interest Due | | Stock | Price £ | Last xd | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 3May | 3Nov | Treas. 12pc 1987 | 100½ xd | 27.3 | — | — |
| 26 Jul | 26 Jan | Treas 7¾pc 1985-88‡‡ | 99¼ | 19.6 | 7.80 | 9.69 |
| 10Nov | 10May | Exch 10½pc '88 | 100⅛ xd | 3.4 | 10.48 | 10.21 |
| 14Dec | 14Jun | Treas 9¾pc Cv '88 | 99⅞ | 8.5 | 9.78 | 10.21 |
| 1Jan | 1Jul | Transport 3pc '78-88 | 96¾ | 26.5 | 3.10 | 7.79 |
| 25 Apr | 25 Oct | Treas. 9½pc '88 | 99¼ xd | 18.9 | 9.56 | 10.17 |
| 22 Aug | 22 Feb | Treas 13¼pc 1989 | 101⅞ | 16.7 | 11.34 | 10.26 |
| 18 Oct | 18 Apr | Treas 9½pc Cnv 1989 | 98¾ xd | 11.9 | 9.59 | 10.20 |
| 15Nov | 15May | Treas 3pc 1989 | 93¼ xd | 8.4 | 3.22 | 7.54 |
| 14Dec | 14Jun | Treas 10½pc 1989 | 100⅛ | 8.5 | 10.48 | 10.32 |
| 1Feb | 1Aug | Exch 10pc 1989 | 99¼ | 25.6 | 10.06 | 10.33 |
| 29 Mar | 29 Sep | Exch 11pc 1989 | 101⅛ xd | 24.8 | 10.87 | 10.30 |
| 15 Apr | 15 Oct | Treas 5pc 1986-89 | 93⅛ xd | 8.9 | 5.37 | 8.75 |
| 15 May | 15 Nov | Exch 10¼pc Cv '89 | 100⅛ xd | 8.4 | 10.19 | 9.93 |
| 15 Jul | 15 Jan | Treas 13pc 1990‡‡ | 105⅞ | 8.6 | 12.32 | 10.14 |
| 12 Aug | 12 Feb | Exch 11pc 1990‡‡ | 101⅜ | 16.7 | 10.84 | 10.23 |
| 22 Sep | 22 Mar | Exch. 12½pc 1990 | 104⅝ xd | 17.8 | 11.92 | 10.21 |
| 8 Nov | 8 May | Treas. 3pc 1990 | [illegible] xd | 1.4 | 3.38 | 7.86 |
| 15 Dec | 15 Jun | Treas 8¼pc 1987-90‡‡ | 95⅞ | 11.5 | 8.61 | 10.05 |
| 25 Apr | 25 Oct | Treas. 10pc Cv 1990 | 99¼ xd | 18.9 | 10.07 | 10.25 |
| 22 May | 22 Nov | Exch 2½pc 1990 | 86 | 15.4 | 2.91 | 7.60 |
| 10 July | 10 Jan | Treas 11¾pc 1991 | 103⅞ | 3.6 | 11.31 | 10.28 |
| 5Oct | 5Apr | Funding 5¾pc '87-91‡‡ | 89¼ xd | 1.9 | 6.43 | 9.37 |
| 13 Nov | 13 May | Treas. 3pc 1991 | 84⅝ xd | 6.4 | 3.54 | 7.93 |
| 12Jan | 12July | Treas 10pc Cv '91 ‡‡ | 100¼ | 5.6 | 9.98 | 9.90 |
| 25Apr | 25Oct | Exch. 11pc 1991 | 102⅜ xd | 18.9 | 10.74 | 10.25 |
| — | | Treas. 8pc 1991 | 92⅛ | — | | |
| 22Jly | 22Jan | Treas 12¼pc 1992‡‡ | 108⅛ | 15.6 | 11.77 | 10.26 |
| 21Aug | 21Feb | Treas 10pc 1992 | 99⅛ | 15.7 | 10.09 | 10.22 |
| 13Oct | 13Apr | Treas. 8pc 1992 ‡‡ | 92⅛ | — | 8.70 | 10.25 |
| 7 Nov | 7 May | Treas 10½pc Cv 1992‡‡ | 100⅞ xd | 31.3 | 10.41 | 10.25 |
| — | | Treas. 3pc 1992 | 80⅛ | — | 3.74 | 8.03 |
| 25 Feb | 25 Aug | Exch. 12¼pc '92 | 107⅛ | 20.7 | 11.43 | 10.31 |
| 22Mar | 22Sep | Exch 13½pc 1992 | 111⅞ | 17.8 | 12.07 | 10.36 |

Five to Fifteen Years

## BRITISH FUNDS—Contd

Undated

Index-Linked

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS

Building Societies

Public Board and Ind.

Financial

Over Fifteen Years

## FOREIGN BONDS & RAILS

## AMERICANS

Continued on next page

## Money Market Bank Accounts

## Money Market Trust Funds

UNIT TRUST NOTES

# LONDON SHARE SERVICE

## AMERICANS—Continued

| Dividends Paid | Stock | Price £ | Last xd | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| Jan Apr Jly O | Rep NY Corpn $5 | 32¼ | 20.9 | $1.36 | — | 2.2 |
| Mar Jun S D | Rockwell Intl. $1 | 14½ | 24.5 | 66c | — | 2.9 |
| Oc Ja Ap Jly | Sara Lee $1 | 26⅛xd | 13.00 | $1.00 | — | 2.3 |
| Mr Jn Se De | Saul (B. F.) $1 | 11¼ | 10.9 | 20c | — | 1.1 |
| Fb My Ag No | Southwestern Bell $1 | 26 | 7.7 | h$2.32 | — | 5.5 |
| — | Staley Continental | 22¼ | — | 80c | — | 2.2 |
| Mr Jn Se De | Sun Co. Inc. $1 | 34⅞ | 5.8 | $3.00 | — | 5.3 |
| Ma Ju Se De | TRW Inc. $0.625 | 37¼ | 11.8 | h$1.60 | — | 2.6 |
| Mr Jn Sp Dc | Tenneco $5 | 36¾ | 11.8 | $3.04 | — | 5.1 |
| June Dec | Do. 10pcLn.Stk. 91-5 | 220xd | 13.00 | 10% | — | 14.7 |
| Mr Je Se De | Texaco $6.25 | 24¼xd | 31.7 | $3.00 | — | 7.6 |
| Mr Ja Se De | Time Inc. $1 | 63xd | 22.8 | $1.00 | — | 1.0 |
| Ja Ap Jy Oc | Tracor $0.33 | 19½xd | 16.9 | 40c | — | 1.3 |
| Ja Ap Ju Oc | Transamerica $1 | 24⅞xd | 30.08 | $1.84 | — | 4.5 |
| Fe My Ag No | Transworld Corp $5 | 11⅝ | 11.11 | 20c | — | 1.1 |
| Mc Je Se De | TRINOVA Corp. | 23⅞ | 11.8 | h$2.00 | — | 2.6 |
| Mr Je Se De | ♦USX $1 | 21⅞ | 30.10 | $1.20 | — | 3.4 |
| Ag Nv Fb Ja | Union Carbide $1 | 16¼ | 4.8 | $1.50 | — | 5.0 |
| Mr Jn Sp Oc | Utd. Technologies | 33⅞xd | 19.5 | $1.40 | — | 2.6 |
| Fb My Ag No | US West | 35¼ | 13.4 | $3.28 | — | 5.7 |
| — | Waste Management $1 | 28 | — | — | — | — |
| — | Whirlpool $1.0 | £21⅛ | — | — | — | — |
| Mr Je Se De | ♦Woolworth $3½ | 28⅞ | 19.11 | $1.32 | — | 2.8 |

## CANADIANS

[illegible]

## BANKS, HP & LEASING

[illegible]

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS—Cont

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY AND STORES—Cont.

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING—Continued

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS—Continued

[illegible]

## INDUSTRIALS—Continued

[illegible]

## INSURANCES

[illegible]

# LONDON SHARE SERVICE

## INSURANCES—Continued

[illegible]

## LEISURE

[illegible]

## MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PAPER, PRINTING—Continued

[illegible]

## PROPERTY

[illegible]

## SHIPPING

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TEXTILES—Cont.

[illegible]

## TOBACCOS

[illegible]

## TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

## FINANCE, LAND—Cont.

[illegible]

## OIL AND GAS

[illegible]

## OIL AND GAS—Continued

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

Rubbers, Palm Oil

Teas

[illegible]

## MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

[illegible]

## MINES—Continued

Tins

Miscellaneous

[illegible]

## THIRD MARKET

[illegible]

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| — | Crown Eyeglass 5p | 217 | — | — | — | — | — | — |
| — | Eglinton Explo. I.R.5 | 25 | — | — | — | — | — | — |
| — | Do. Warrants | 17 | — | — | — | — | — | — |
| — | Far East Res. 10p | 166 | — | — | — | — | — | — |
| — | Gardiner (J.) 5p | 118 | — | R1.25 | 2.3 | 1.6 | 38.1 | |
| — | Honorbilt Group 5p | 47 | — | — | — | — | 39.5 | |
| — | Leading Leisure 5p | 121 | — | 0.9 | 3.1 | 1.0 | 35.0 | |
| — | Lynx Tech. 5p | 85 | — | b— | — | — | 9.8 | |
| — | Medirace 10p | 180 | — | — | — | — | — | |
| — | ♥Ovoca Gold IR0.02 | 88 | — | — | — | — | — | |
| — | Publishing Hldgs 5p | 66 | — | e— | — | — | 38.2 | |
| — | Theme Holdings | 73 | 27.4 | 1.0 | 1.9 | 1.9 | 39.1 | |
| — | UPL Group 10p | 210 | — | L2.41 | 2.8 | 1.6 | — | |
| — | Unit Group | 136 | — | R4.6 | 2.5 | 4.7 | (9.7) | |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv 20p | 98xd | ..... | Fin. 13% 97/02 | £109¼ | ..... |
| Craig & Rose £1 | 763 | .. | Arnotts | 370 | ..... |
| Finlay Pkg. 5p | 116xd | +4 | CPI Hldgs | 92 | ..... |
| Holt (Jos) 25p | £10¼ | ..... | Carroll Inds. | 185 | −4 |
| IoM Stm. £1 | 363 | +5 | Dublin Gas | 40¢ | ..... |
| | | | Hall (R. & H.) | 195 | ..... |
| IRISH | | | Heiton Hldgs. | 70 | ..... |
| | | | Irish Ropes | 185 | ..... |
| Fund 11¼% 1988 | £98¼xd | ..... | Nenagh | | ..... |
| Nat. 9¾% 84/89 | £96¾ | ..... | Undare | 430 | ..... |

## TRADITIONAL OPTIONS
### 3-month call rates

| Industrials | p | | |
|---|---|---|---|
| Allied-Lyons | 40 | NEI | 13 |
| Amstrad | 19 | Nat West Bk | 65 |
| BAT | 62 | P & O Dfd | 65 |
| BOC Grp. | 50 | Plessey | 20 |
| BSR | 17 | Polly Peck | 34 |
| BTR | 36 | Racal Elect | 32 |
| Babcock | 32 | RHM | 35 |
| Barclays | 52 | Rank Org Ord | 70 |
| Beecham | 52 | Reed Intnl | 50 |
| Blue Circle | 50 | STC | 30 |
| Boots | 30 | Sears | 16 |
| Bowaters | 50 | TI | 37 |
| Brit Aerospace | 50 | TSB | 12 |
| Brit. Telecom | 28 | Tesco | 18 |
| Burton Ord | 32 | Thorn EMI | 65 |
| Cadburys | 25 | Trust Houses | 25 |
| Charter Cons. | 45 | Turner Newall | 26 |
| Comm Union | 34 | Unilever | 62 |
| Courtaulds | 45 | Vickers | 20 |
| FNFC | 32 | Wellcome | 42 |
| Gen Accident | 95 | **Property** | |
| GEC | 22 | Brit Land | 30 |
| Glaxo | 200 | Land Securities | 50 |
| Grand Met | 50 | MEPC | 48 |
| GUS 'A' | 125 | Peachey | 40 |
| Guardian | 95 | **Oils** | |
| GKN | 38 | Brit Petroleum | 32 |
| Hanson Tst. | 17 | Britoil | 30 |
| Hawker Sidd | 58 | Burmah Oil | 52 |
| ICI | 125 | Charterhall | 10 |
| Jaguar | 52 | Premier | 11 |
| Ladbroke | 45 | Shell | 125 |
| Legal & Gen | 32 | Tricentrol | 11 |
| Lex Service | 45 | Ultramar | 26 |
| Lloyds Bank | 35 | **Mines** | |
| Lucas Inds | 75 | Cons Gold | 125 |
| Marks & Spencer | 22 | Lonrho | 28 |
| Midland Bk | 45 | Rio T Zinc | 100 |
| Morgan Grenfell | 55 | | |

A selection of Options traded is given on the London Stock Exchange Report Page.

# CONSTRUCTION CONTRACTS

## Refurbishing International House

COSTAIN CONSTRUCTION has been awarded a £10.7m contract by Chiltern Street Investments to reconstruct and refurbish the fifteen-storey property at 62-72 Chiltern Street, London W1 known as International House. MEPC Developments is managing the project on behalf of Chiltern Street Investments, which is controlled by the Oldham Estate Company. The structure will be reduced to its bare frame and entirely rebuilt. Structural work includes the construction of floors, staircases, a central lift core and roof plant rooms. The elevations will be reclad in curtain walling. The mechanical and electrical services will be renewed and some external works, such as paving, will be carried out. The 98-week project is due for completion in July 1989.

WALTER LAWRENCE PROJECT MANAGEMENT has been awarded a £4m contract by the Norwich Union Insurance Group to refurbish and extend the Woking shopping centre, bounded by Commercial Way, Cawsey Way, Church Street, and Town Square.

In addition to the refurbishment work the contract includes provision of a glass roof to cover the whole of the shopping mall and central square. Services will be replaced, and a restaurant will be formed next to the town square.

## Rush & Tomkins to build major hotel in Glasgow

RUSH & TOMPKINS' Glasgow office has currently over £47m worth of projects, mainly in the commercial, industrial, leisure and retail areas, and much of it in joint venture development work.

The current flagship project is the 17-storey Glasgow Forum Hotel and Conference Centre, in Queen's Dock, due for structural completion in March 1988, and with fitting out to be completed by March 1989. The £19m project will provide Glasgow with a 300-bedroom hotel and conference facilities next door to the Scottish Exhibition and Conference Centre. The client is Echo Hotels, a joint venture between Rush & Tompkins, Forum Hotels International, the Scottish Development Agency and the Scottish Exhibition Conference Centre.

Several retail developments are in progress. The design and construct contract on Dunfermline Town Centre where the premises are to be demolished, is a joint venture with Forth & Fife Co-op and Rush & Tompkins.

In Glasgow, Rush & Tompkins and Sibec are redeveloping the Mearns Cross Shopping Centre to form an upgraded regional shopping centre in a £16m contract due for completion in September 1988. The Asda Superstore at Maryhill is being extended to provide an increase of 11,000 sq ft of sales area and a 750 sq ft increase in office accommodation together with alterations and refurbishments. Rush & Tompkins are due to complete the 800,000 contract for Associated Dairies in February 1988.

Rush & Tompkins is to start work shortly on a £10m town centre retail development in Coatbridge - a joint venture with Lawfield Estates. The development, which is part of the Coatbridge project with the Scottish Development Agency, Monklands District Council and Strathclyde Regional Council, will provide retail space of 100,000 sq ft, together with 56 flats.

## Homes for servicemen

M.J.GLEESON has been awarded a £11.5m contract to build servicemen's homes at RAF Leeming, near Northallerton, Yorkshire, for the Property Services Agency. The project includes building 310 married airmen's quarters, and modernising 16, together with site development work. Completion is scheduled for September 1989.

The company has been awarded a partnership housing development worth £3m with South Bucks District Council on a site at George Green, Wexham. Scheduled for completion in April 1989, the 87 homes will be offered for sale to people on the council's housing waiting list, to council tenants, and to first-time buyers. There will be 45 3-bedroomed, 5 person houses; 18 2-bed, 4 person houses; 10 2-bed, 3 person houses; and 14 1-bed, 2 person quad units.

The company has won a £750,000 contract to build an MFI retail warehouse in Clough Road, Hull. The 17-week programme is scheduled for completion at the end of December. The warehouse - on the site of the existing car park - will comprise a two-storey staff accommodation block(250 sq metres) and 1550 sq metres of single-storey warehouse space. The existing facade will be reclad to match that of the new extension. Additional works include a covered pick-up point for car customers, car parking space for 67 cars adjacent to Clough Road, the upgrading of existing car parking, and the moving of the main entrance to a temporary position.

Rush & Tomkins has won a re-assigned contract worth £2m to construct a bypass road to the west and south of Wareham for Dorset County Council. The previous contractors, who went into receivership in July, had completed about one third of the work. The road building schedule includes the construction of a three-span concrete bridge over the Frome, and the widening of a bridge over railtracks. Work started on the contract in September, and is due for completion in summer 1988.

WIMPENNY, Huddersfield, has been awarded orders worth over £5m. The largest is for a £2.8m bus station in Halifax for West Yorkshire Passenger Transport Executive. The scheme will provide twenty bus bays on the Northgate site, within the inner ring road and within a short walking distance of Pierce Hall and the Woolshops precinct.

Conservation is a key factor in the scheme and the facades of the three listed, but decaying, buildings on the site will be retained in the new scheme. The Sion Sunday School will be dismantled and resited alongside the main entrance, the main Sion Chapel facade being rebuilt in the lower corner of the new development and the Jubilee Hall facade being retained in its original position. The project is scheduled for completion during early 1989.

Wimpenny Project Management has been awarded contracts for the design and construction of food factories at Bradford and Milton Keynes. Together worth in excess of £4m, the projects are scheduled for completion in December 1987 and March 1988 respectively.

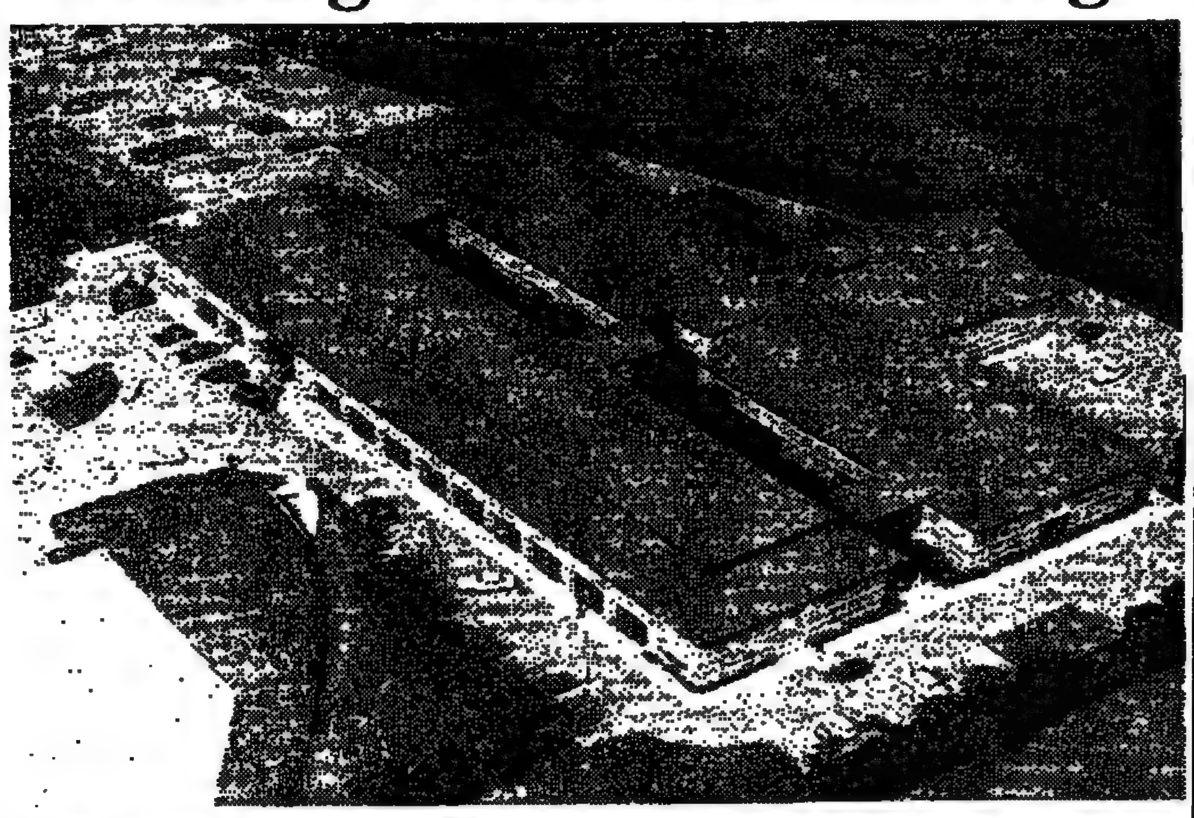
ASHBY & HORNER had won a £2m package of building works for the new Financial Times printing facility at Leamouth Road, off East India Dock Road in London E14. The contract, due for completion at the end of next June, comprises brickwork and blockwork, floor and wall tiling, grano and plastering, decorations, partitions and joinery.

TAYLOR WOODROW CONSTRUCTION (SCOTLAND), Glasgow, has received a contract worth £1m from Fountainbridge Housing Association for the erection of 36 flats at Yeaman Place, Edinburgh. Work, already underway and due for completion in October 1988, comprises erection of a residential block of 36 flats, on ground and four upper floors. The units have one, two or three bedrooms. Construction is generally of load-bearing brickwork and blockwork, with precast concrete floors, and a timber roof with metal roof finish.

Flow Laboratories, has awarded a £1.5m design and build contract to SCIENTIFIC LESSER. The work calls for a building to be almost gutted and then equipped with all the mechanical, electrical (five air conditioning systems), liquid and gas services necessary for the installation of a series of clean rooms.

Sir Alexander Gibb and Partners has been appointed by the London Docklands Development Corporation to complete the preliminary feasibility studies and to undertake detailed design and supervision of construction of the Limehouse Link road. This is a 1 mile dual carriageway connecting the eastern end of the Highway (Limehouse) to North Quay (Isle of Dogs). The road includes nearly a mile of tunnel, of cut and cover construction. It passes under water (Limehouse Basin, Limehouse Cut and Limekiln Dock) and under the Docklands Light Railway Viaduct in Poplar.

## Printing works in Cambridge



The picture shows a model of £6.5m headquarters building project for Domino Printing Sciences which is to be built at Bar Hill, Cambridge. Planning approval has been given, and tenders will be invited from selected contractors later this year. Designs are being prepared for the 95,000 sq ft two and three-storey development on a four-acre site. Following preliminary site works, the main contract is programmed to start early in 1988, with completion in mid-1989. Colin Brooks Associates, Peterborough, will manage the project.



# DIARY DATES

## FINANCIAL

TODAY
COMPANY MEETINGS-
AGB Research. Butchers Hall, 87, Bartholomew Close, E.C., 12.00
Scholes (George H.), Wylex Works, Wythenshawe, Manchester, 12.00
BOARD MEETINGS-
Finals;
Blanchards
Glaxo
Lyles (S.)
Medminster
Interims;
ERA Group
Singsby (H.C.)
DIVIDEND & INTEREST PAYMENTS-
AAH Hldgs. 5.76p
Appleyard Group 3.5p
Argyll Group 6p
Conder Group 2p
Investing in Success 0.5p
Ireland 12½% Ln. 2008 6¼pc.
Leslie Wise Group 0.5p
Magnolia Group 1.4p
Reed Executive 4p
Tarry (E.W.) 7cts.
Vibroplant 8.25p

TOMORROW
COMPANY MEETINGS-
Fleming Overseas Inv. Tst., 25, Copthall Avenue, E.C., 11.30
BOARD MEETINGS-
Interims;
Alexandra Workwear
Brown & Jackson
Gee (Cecil)
DIVIDEND & INTEREST PAYMENTS-
Asset Trust 1.5p
Treasury 8% ln. 1992 4pc.
Treasury 9% Ln. 2008 4½pc.
Tweefontein United Collieries 22cts.
Warnford Invs. 10.5p

WEDNESDAY OCTOBER 14
COMPANY MEETINGS-
Alumasc Group, Connaught Rooms, Great Queen Street, W.C., 12.30
Automagic, A.M. House, Coldharbour Lane, Harpenden, Herts., 10.00
Davies (D.Y.), General Council of British Shipping, 30-32, St. Mary Axe, E.C., 11.00
Flextech, Great Eastern Hotel, Liverpool Street, E.C., 10.00
Peel Hldgs., St. James's Club, St. James's House, Charlotte Street, Manchester, 12.00
BOARD MEETINGS-
Finals;
Britannia Security
Cradley Print
Eleco
Pochins
Tay Homes
Interims;
Abbey Life
Allebone
Avis Europe
Bisichi Tin
Guthrie
Harrisons & Crosfield
Helene of London
London & Assoc. Inv. Tst.
Spirax-Sarco
Svenska Cellulosa Aktiebolaget
Tudor
Turriff Corp.
U.E.I.
DIVIDEND & INTEREST PAYMENTS-
Anglia Bldg. Society Fltg. Rate Nts. Jan 1998 $117.36
Australia (Commonwealth of) 9½% Ln. 2012 4¾pc.
B.B.L. Intl. Gtd. Fltg. Rate Nts. 1999 $176.33
Blockleys 2.7p
Collins (William) 3.25p
Do. A (Non/Vtg) 3.25p
Combined Lease Finance 0.58p
Osterreichische Landerbank Fltg. Rate Sub Nts. 1999 $176.33
Peel Hldgs. 6.5p
Pleasurama 2p
Slough Estates 2.8p

THURSDAY OCTOBER 15
COMPANY MEETINGS-
Newmark (Louis), 143-149, Great Portland Street, W., 12.00
Gnome Photographic, Post House Hotel, Cardiff, 12.00
BOARD MEETINGS-
Finals;
Bejam
New Central Witwatersrand
Interims;
Billam (J.)
British Island Airways
Caparo Inds.
Delyn Packaging
Farnell Electronics
Hunting Petroleum Services
London Atlantic Inv. Tst.
Scottish Mortgage & Tst.
Smaller Companies Intl. Tst.
TDS Circuits
DIVIDEND & INTEREST PAYMENTS-
Abbey National Bldg. Society Fltg. Rate Nts. 2000 £233.15
Akda Hldgs. 2.5p
American Brands 12½% Un Ln 2009 6¼pc
American Trust 1.15p
Bank of New York Overseas Finance Gtd. Fltg. Rate Sub Nts. Jan 1996 $178.79
Bell Canada 60cts.
British Assets Tst. 4½% Prf. 1.575p
Do. A 5% Prf. 1.75p
British Coal 8⅞% Gtd. Sds. 1988 4⁷⁄₁₆pc.
Chrysler Corp. 25cts.
Citicorp Overseas Finance Gtd. Fltg. Rate Nts. 1992 $174.10
Davies (D.Y.) 3p
Edinburgh Fund Managers 4p
Elondge, Pope 7½% Ird. Un Ln. 3¾pc.
Do. 6¼% Ird. Un Ln. 3⅛pc.
Federated Housing 9½% Cum. Red Prf. 4.75p
Finland (Republic of) 11½% Ln. 2009 5¾pc.
General Mining Union Corp. 80cts.
Do. 8.5% Var. Comp. Cnv. Cum. Prf. 114.75cts.
Do. 12.5% Un. Sub. Comp. Cnv. Debs. 168.75cts.
Goode Durrant 3.5% Cum. Prf. 0.875p
Govett Strategic 9⅞% Deb. 2017 2.0263pc.
Industrialization Fund of Finland 7% Gtd. Bds. 1972/87 3½pc
London United Invs. 7.5p
Manders (Hldgs.) 5% Cum. Prf. 1.75p
McLeod Russel 8.4% Cnv. Red. Cum. Prf. 4.2p
Merton (London Borough of) 11¼% Red. 2017 5⅝pc.
Metropolitan Water Southwark & Vauxhall 3% Deb. 1½pc.
More O'Ferrall 1.8p
Morgan (J.P.) 34cts.
Motorola 16cts.
Nationwide Bldg. Society Fltg. Rate Nts. 1996 $117.05
Norcros 15¼% Deb. 1990/95 7⅝pc.
Occidental Petroleum 62.5cts.
Pacific Gas & Electric 48cts.
Peachey Property 10.75% 1st. Mtg. Deb. 2015 5⅜pc.
Do. 9.5% 1st. Mtg. Deb. 2015 1.7544pc.
Pentos 0.3p
Press Tools 2p
Quaker Oats 25cts.
Rexmore 13% Cnv. Cum. Red. Prf. 6.5p
Richards 4% Cum. Prf. 1.4p
Do. 5½% Cum. Prf. 1.44375pc.
Royal Tst. Government Securities Ptg. Red. Prf. 2.5p
Scandinavian Finance Fltg. Rate Ser. Nts. April 1993 $368.54
Sea Containers 525cts.
State Bank of Victoria Gtd. Un. Cap. Nts. $359.01
Treasury 5% 1986/89 2½pc.
Treasury 10% Ln. 1993 5pc.
Warner Estate Hldgs. 10¾% Cum. Prf. 5.375p
Watney, Mann & Truman 6% Red. Deb. 1989/94 3pc.
Wells Fargo Fltg. Rate Sub. Nts. July 1997 $183.68

FRIDAY OCTOBER 16
COMPANY MEETINGS-
Brasway, All Saints Road, Wednesbury, West Midlands, 10.30
Sheldon Jones, Royal Bath & West Showground, Shepton Mallet, Somerset, 12.00
BOARD MEETINGS-
Finals;
Christy Hunt
Scottish Metropolitan Property
Interims;
Walker (J.O.)
DIVIDEND & INTEREST PAYMENTS-
Alliance Tst. 8p
Do. 4% Prf. 1.4p
Do. 4¼% Prf. 1.4875p
Do. 5% Prf. 1.75p
Anglo American Ind. 65cts.
Courts (Furnishers) 3.15p
Do. N/Vtg A 3.15p
Equity & Law Intl. Ptg. Red. Prf. (UK Equity) 3.679p
Do. (Managed Currency) 2.199p
Do. (Deutschemark Deposit) DM0.07616
Do. (Dollar Deposit) 2.435cts.
Do. (Sterling Deposit) 3.908p
Do. (Yen Deposit) Y7.68
Gnome Photographic 8p
Jones & Shipman 1.15p
Lec Refrigeration 4p
Newage Transmissions 1p
Newmark (Louis) 9p
Queens Moat Houses 0.9p
Quick (H. & J.) 1.75p
Second Alliance Tst. 14p
Do. 4½% Cum. Prf. 1.575p
Sekers Intl. 1.75p
Southampton, IOW & SOE RM Steam Packet 5p
Stirling Group 1.45p
Swansea (City of) 13¾% Red. 2005 6⅞pc.
Task Force 1p
Treasury 2½% I.L. 2020 1¼pc.
Wholesale Fittings 7.84p
Yule Catto 5p

SUNDAY OCTOBER 18
DIVIDEND & INTEREST PAYMENTS-
Conversion 9½% 2005 4¾pc.
Nova Scotia (Province of) 11½% Ln. 2019 5¾pc.
Do. 16¼% Ln. 2011 8⅛pc.
Treasury 9½% Cnv. 1989 4¾pc.

## Trade Fairs and Exhibitions:UK

**October 13-16**
Meeting Place for Technology Transfer Exhibition - BARCLAYS TECHMART (021-780 4171)
NEC, Birmingham

**October 15-17**
Money Show (0895 58431)
Liverpool

**October 18-21**
International Video and Communications Exhibition (01-240 1871)
Metropole Exhibition Hall, Brighton

**October 20-23**
International Freight Industry Conference and Exhibition - WORLD FREIGHT (01-642 7688)
Barbican Centre, London

**October 21-23**
International Exhibition for Police and Government Security Forces (01-855 9201)
NEC, Birmingham

**October 26-28**
UK Corrosion Exhibition and Conference (0202 35544)
Metropole Exhibition Hall, Brighton

**November 3-5**
International Financial Services, Technology and Accountants Exhibition (01-749 9535)
Barbican Centre

**November 3-7**
International Plastics Exhibition - INTERPLAS (021-705 6707)
NEC, Birmingham

**November 5-8**
London Money Show - MONEY (01-948 5166)
Olympia

**November 8-10**
Camping and Outdoor Leisure Exhibition - COLA (08956 34191)
Exhibition Centre, Harrogate

**November 10-12**
Drives, Motors, Controls and PC+ Systems Exhibitions (0799 26699)
NEC, Birmingham

**November 12-22**
Scottish Motor Show (031-225 3643)
Exhibition Centre, Glasgow

## Overseas

**Current**
International Photographic Cinegraphic and Optical Equipment Exhibition (01-255 5566)(until October 15)
Paris

**October 14-17**
International Electronics Fair (01-977 4551)
Vienna

**October 16-22**
Automobile Equipment & Maintenance Industries Exhibition - EQUIPAUTO (01-225 5566)
Paris

**October 13-18**
Gifts, Toys and Housewares Market Week (01-937 1889)
Manila

**October 24-November 1**
National Transportation Fair - BRASIL TRANSPO (01-499 0877)
Sao Paulo

**November 16-20**
International Electronic Components Exhibition - COMPOSANTS ELECTRONIQUES (01-225 5566)
Paris

**November 17-21**
Machine Tools Exhibition - FINNTEC (01-486 1951)
Helsinki

## Business and Management Conferences

**October 12-13**
Longman Seminars: 7th annual UK tax congress - Today's tax traps and how to avoid them (01-242 4111)
Kensington Town Hall, W8

**October 14**
Financial Times: International securities business and the Financial Services Act (01-925 2323)
Hotel Inter-Continental, W1

**October 15-16**
Financial Times: Retail financial services - from now to 2000 (01-925 2323)
Hotel Inter-Continental, W1

**October 15**
IBC: The integration and integrity of financial trading systems (01-236 4080)
London Mariott Hotel

**October 19-20**
Financial Times: Electronic financial services - competition and co-operation (01-925 2323)
Hotel Inter-Continental, W1

**October 22**
Space Planning Services: People and premises - a strategic approach to balancing conflicting demands (01-873 2271)
Butchers Hall, EC1

**October 22**
Burson - Marsteller : Successful crisis management (01- 831 6262)
Barbican Centre, EC3

**October 23-November 1**
ECU Banking Association: World symposium on the role of the European currency unit (01-370 3176)
Antwerp

**October 27-28**
Financial Times: The fifth professional personal computer conference (01-925 2323)
Hotel Inter-Continental, W1

**November 4-5**
Acquisitions Monthly: How to buy and sell companies (01-637 4383)
Inn on the Park, W1

**November 5**
The Institute of Directors : UK companies: the revenue offensive(01- 839 1233)
116 Pall Mall, SW1

*Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no changes in the details published*



REDEMPTION NOTICE

NOTICE IS HEREBY GIVEN that Lakeside Inns Limited has elected to redeem all of its U.S.$9,765,000 9.5% Notes due December 31, 1998 (the "Notes"). The Notes will be redeemed on November 30, 1987 at a redemption price of 100% of the principal amount thereof, together with interest accruing to the date of redemption, at the office of Cititrust (Cayman) Limited, the Paying Agent, in the Citibank Building, Thompson Boulevard, Nassau, The Bahamas. Payment of the redemption price of the Notes will be made upon presentation and surrender of the Notes to be redeemed together with all appertenant coupons maturing subsequent to November 30, 1987 at the aforesaid office. Interest on the Notes will cease to accrue on or after November 30, 1987. All interest accrued to November 30, 1987 will be paid at the aforesaid office on or after the aforesaid date upon presentation and surrender of the Notes.
CITITRUST (CAYMAN) LIMITED

The Molson Companies Limited
(Incorporated with limited liability under the laws of Canada)
U.S. $35,000,000 Floating Rate Notes
Issue date 14th July 1986
Maturity date 14th July 1996

For the three month interest period from 14th October 1987 to 14th January 1988 the rate of interest on the Notes will be $8^{11}/_{16}$% per annum. The interest payable on the relevant interest payment date will be U.S. $11,100.69 per U.S. $500,000 note.

Morgan Grenfell & Co. Limited
Reference Agent

## Contracts and Tenders

Sale of Commonwealth Accommodation and Catering Services Ltd

INVITATION TO REGISTER INTEREST

The Australian Government invites registrations of interest in the acquisition, as a going concern, of Commonwealth Accommodation and Catering Services Ltd (CACS).

The sale will be in two stages: a Registration of Interest plus a Request for Tenders from selected registrants.

CACS is an Australian Government-owned company with a staff of 1,100. Its principal activities are the operation and management, under contract to the Government, of food and beverage services, guest houses, migrant centres and flats. In 1986–87, the Company generated a profit after tax of $Aus2.34 million from its trading and investment activities.

Registrations close in Canberra, Australia at 2.00pm AEST on Monday 26 October 1987. Registrations must include certain information required by the Australian Government. Details may be obtained from Colin Roe of the Government Task Force on Asset Sales, Canberra, telephone +61 62 632641, telex AA62639 (FINCAN) or fax +61 62 731064.

BROWN & CO TYPESETTERS, CANBERRA AUSTRALIA.

## Company Notices

CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE
CANADA - UNITED KINGDOM FREIGHT CONFERENCE

NOTICE TO SHIPPERS & IMPORTERS
SERVICE & TERMINAL CHARGES IN THE UK

The member lines of the above conferences operating services between the United Kingdom, Northern Ireland and the Republic of Ireland and Canadian maritime, St Lawrence River and Great Lakes ports have to advise shippers and importers that the service and terminal charges currently applicable will be increased with effect from 1st January 1988.

Details of the revised charges may be obtained from any of the undernoted member lines.

Atlantic Container Line BV
Canada Maritime Ltd
Cast (1983) Ltd
Hapag-Lloyd AG
ML Containerline Ltd
CANADIAN ATLANTIC FREIGHT SECRETARIAT LTD
Secretaries

Stoner House, Kilnmead
Crawley, West Sussex RH10 2BG
October 1987

CENTRAL FINANCE CO. LTD
£30,000,000 6¼ per cent CONVERTIBLE BONDS 1996

Morgan Grenfell & Co. Limited hereby gives notice that as from 5th October 1987 the address of Daiwa Europe Limited, a Paying Agent and Conversion Agent for the above Bonds, has changed to 5 KING WILLIAM STREET, LONDON EC4N 7AX.

## Art Galleries

MARTYN GREGORY: HILDA MAY GORDON. Vivid impressions of an artist's travels around the world in the 1920s. 7-24 October (10-6 weekdays; 10-1 Saturdays). 34 Bury Street, St. James's, London SW1. 01-839 3731.

HUNGARIAN CONTEMPORARY Art Exhibition. 5th 10th October. Alpine Gallery, 74 South Audley St, W1, 10 am-5 pm. Sponsored by British Airways.

THE PARK LANE ANTIQUES FAIR, Park Lane Hotel, Piccadilly, London, W1. 01-499 6321. 7-12 October.

## Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10.00 pm-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189 Regent Street, W1. 01-734 0557.

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# WORLD STOCK MARKETS

## AUSTRIA

| | | | |
|---|---|---|---|
| [illegible] | | | |

## BELGIUM/LUXEMBOURG

| | | | |
|---|---|---|---|
| [illegible] | | | |

## DENMARK

| | | | |
|---|---|---|---|
| [illegible] | | | |

## FINLAND

| | | | |
|---|---|---|---|
| [illegible] | | | |

## FRANCE

| | | | |
|---|---|---|---|
| [illegible] | | | |

## SPAIN

| 1987 High | 1987 Low | October 9 | Price Pts |
|---|---|---|---|
| 2300 | 232 | Alcazar | 690 |
| 1970 | 1275 | Banco Bilbao | 1950 |
| 1240 | 970 | Banco Central | 1230.00 |
| 680 | 385 | Banco Exterior | 680.00 |
| 870 | 450 | Banco Hispano | 869 |
| 2080 | 1395 | Banco Popular | 1900 |
| 1375 | 797 | Banco Santander | 797.00 |
| 2071 | 1067 | Banco de Vizcay | 1920 |
| 1480 | 610 | Banesto | 1425 |
| 870 | 450 | Dragados | 790 |
| 113.2 | 52.2 | Hidrola | 106.70 |
| 169.2 | 84.2 | Iberduero | 139 |
| 825 | 375 | Petroleos | 798.00 |
| 253 | 146.5 | Telefonica | 217.00 |

## GERMANY

| | | | |
|---|---|---|---|
| [illegible] | | | |

## ITALY

| | | | |
|---|---|---|---|
| [illegible] | | | |

## NETHERLANDS

| | | | |
|---|---|---|---|
| [illegible] | | | |

## NORWAY

| | | | |
|---|---|---|---|
| [illegible] | | | |

## SWEDEN

| | | | |
|---|---|---|---|
| [illegible] | | | |

## AUSTRALIA

| | | | |
|---|---|---|---|
| [illegible] | | | |

## HONG KONG

| | | | |
|---|---|---|---|
| [illegible] | | | |

## SWITZERLAND

| | | | |
|---|---|---|---|
| [illegible] | | | |

## SOUTH AFRICA

| | | | |
|---|---|---|---|
| [illegible] | | | |

## JAPAN

| | | | |
|---|---|---|---|
| [illegible] | | | |

## SINGAPORE

| | | | |
|---|---|---|---|
| [illegible] | | | |

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

## CANADA

### TORONTO

*Prices at 2.30pm*

*October 9*

| | | | | | |
|---|---|---|---|---|---|
| [illegible] | | | | | |

F—No voting rights or restricted voting rights

### MONTREAL

*Closing prices October 9*

| | | | | | |
|---|---|---|---|---|---|
| [illegible] | | | | | |

Total Sales 9,150,205 shares

## OVER-THE-COUNTER *Nasdaq national market, closing prices, October 9*

Continued from Page 45

| Stock | Sales (Hlds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| [illegible] | | | | | |

# Indices

## NEW YORK

### DOW JONES

| | Oct. 9 | Oct. 8 | Oct. 7 | Oct. 6 | 1987 High | 1987 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| ♦Industrials | 2482.21 | 2516.64 | 2551.08 | 2548.63 | 2722.42 (25/8) | 1927.31 (2/1) | 2722.42 (25/8/87) | 41.22 (2/7/32) |
| Home Bonds | 82.98 | 83.10 | 83.44 | 83.22 | 95.51 (9/2) | 83.52 (1/10) | (—) | (—) |
| Transport | 1036.88 | 1038.46 | 1044.92 | 1049.79 | 1101.16 (14/8) | 816.38 (2/1) | 1101.16 (14/8/87) | 12.32 (8/7/32) |
| Utilities | 196.06 | 197.61 | 198.61 | 197.90 | 227.83 (22/1) | 191.39 (20/5) | 227.83 (22/1/87) | 10.5 (8/4/32) |

♦Day's High 2531.66 (2561.36) Low 2472.26 (2491.51)

### STANDARD AND POOR'S

| | Oct. 9 | Oct. 8 | Oct. 7 | Oct. 6 | 1987 High | 1987 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| Composite‡ | 311.07 | 314.16 | 318.54 | 319.22 | 336.77 (25/8) | 246.45 (2/1) | 336.77 (25/8/87) | 4.40 (1/6/32) |
| Industrials | 361.36 | 365.46 | 372.17 | 372.02 | 393.17 (25/8) | 274.58 (2/1) | 393.17 (25/8/87) | 3.62 (21/6/32) |
| Financials | 29.46 | 29.57 | 29.89 | 30.03 | 32.43 (25/8) | 25.97 (29/5) | 32.43 (25/8/87) | 8.64 (1/10/74) |
| NYSE Composite | 174.64 | 176.32 | 178.55 | 178.98 | 187.99 (25/8) | 141.01 (2/1) | 187.99 (25/8/87) | 4.46 (25/4/42) |
| Amex Mkt. value | 346.81 | 348.93 | 325.55 | 355.44 | 365.01 (13/8) | 267.49 (2/1) | 365.01 (13/8/87) | 29.31 (9/12/72) |
| NASDAQ OTC Comp | 438.43 | 440.03 | 444.64 | 447.51 | 455.28 (26/8) | 353.26 (2/1) | 455.28 (26/8/87) | 54.87 (3/10/72) |

| | Oct. 2 | Sept 25 | Sept. 18 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 2.61 | 2.68 | 2.73 | 3.86 |
| | Oct. 7 | Sept. 30 | Sept. 23 | year ago (approx.) |
| S and P Industrial Div. Yield | 2.78 | 2.31 | 2.32 | 3.09 |
| S and P P/E ratio | 22.10 | 23.20 | 22.17 | 16.89 |

### TRADING ACTIVITY

† Volume

| Millions | Oct. 9 | Oct. 8 | Oct. 7 |
|---|---|---|---|
| New York | 159,256 | 199,674 | 187,148 |
| Amex | 9,070 | 11,740 | 12,930 |
| OTC | — | 157,760 | 151,988 |

| NEW YORK | Oct. 9 | Oct. 8 | Oct. 7 |
|---|---|---|---|
| Issues Traded | 1,981 | 1,982 | 1,978 |
| Rises | 481 | 399 | 541 |
| Falls | 1,063 | 1,178 | 1,009 |
| Unchanged | 437 | 405 | 428 |
| New Highs | 15 | 22 | 14 |
| New Lows | 97 | 80 | 54 |

## CANADA

### TORONTO

| | Oct. 9 | Oct. 8 | Oct. 7 | Oct. 6 | 1987 High | 1987 Low |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3360.4 | 3385.3 | 3407.8 | 3432.5 | 3507.5 (5/10) | 1988.2 (2/1) |
| Composite | 3781.3 | 3806.3 | 3838.40 | 3861.90 | 4112.9 (13/8) | 3067.8 (2/1) |
| MONTREAL Portfolio | 1861.96 | 1875.77 | 1895.13 | 1901.48 | 2224.77 (16/7) | 1534.3 (2/1) |

| | Oct. 9 | Oct. 8 | Oct. 7 | Oct. 6 | 1987 High | 1987 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ord (1/1/80) | 2220.4 | 2223.2 | 2217.3 | 2247.0 | 2305.9 (21/9) | 1486.7 (2/2) |
| Metals&Minerals (1/1/80) | 1364.8 | 1363.9 | 1358.2 | 1377.4 | 1462.4 (21/9) | 729.1 (2/1) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 228.69 | 230.05 | 229.56 | 227.72 | 232.19 (22/9) | 182.21 (19/6) |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/80) | 5057.02 | 5062.10 | 5083.60 | 5126.70 | 5415.20 (13/8) | 3987.86 (9/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | (u) | 212.27 | 211.17 | 209.59 | 219.76 (27/8) | 189.64 (6/1) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | 669.9 | 666.3 | 654.2 | 650.9 | 669.9 (9/10) | 425.2 (5/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 402.90 | 407.10 | 405.20 | 410.90 | 460.4 (26/3) | 392.0 (2/1) |
| Ind Tendance (31/12/86) | 104.30 | 106.00 | 105.70 | 106.90 | 117.2 (26/3) | 97.8 (2/1) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 631.30 | 644.94 | 642.86 | 650.41 | 676.84 (6/1) | 538.32 (19/3) |
| Commerzbank (1/12/53) | 1936.60 | 1980.00 | 1972.60 | 1998.40 | 2061.10 (17/8) | 1633.8 (19/3) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 3882.42 | (c) | 3936.13 | 3906.44 | 3949.73 (1/10) | 2449.88 (20/1) |
| **ITALY** | | | | | | |
| Banca Com. Ital (1972) | 659.77 | 657.90 | 654.99 | 653.62 | 767.34 (30/4) | 588.83 (15/9) |
| **JAPAN** ** | | | | | | |
| Nikkei (16/5/49) | 26338.77 | 26286.75 | 25952.27 | 26088.97 | 26338.77 (9/10) | 18544.0 (13/1) |
| Tokyo SE New (4/1/68) | 2158.25 | 2154.37 | 2121.29 | 2131.61 | 2258.56 (11/6) | 1557.46 (13/1) |
| **NETHERLANDS** | | | | | | |
| ANP CBS Gen (1970) | (u) | 304.80 | 307.70 | 312.00 | 334.10 (14/8) | 257.7 (28/1) |
| ANP CBS Indust. (1970) | (u) | 256.50 | 257.50 | 261.40 | 280.80 (11/8) | 243.7 (28/1) |
| **NORWAY** | | | | | | |
| Oslo SE (4/1/83) | 579.44 | 578.03 | 571.70 | 581.99 | 592.04 (21/9) | 361.98 (2/1) |
| **SINGAPORE** | | | | | | |
| Straits Times (30/12/66) | 1454.30 | 1451.90 | 1449.00 | 1450.70 | 1505.40 (26/8) | 889.08 (2/1) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | (u) | 2275.0 | 2300 | 2280.0 | 2499.0 (3/8) | 1786.0 (19/3) |
| JSE Indust (28/9/78) | (u) | 2251.0 | 2243 | 2254.0 | 2257.0 (30/9) | 1423.0 (2/1) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 323.88 | 322.57 | 324.11 | 325.44 | 325.44 (5/10) | 202.89 (9/5) |
| **SWEDEN** | | | | | | |
| Jacobson & P. (31/12/56) | 3258.4 | 3267.10 | 3253.3 | 3253.30 | 3267.10 (8/10) | 2111.39 (28/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bk Ind. (31/12/58) | 717.40 | 724.70 | 727.10 | 727.10 | 729.70 (5/10) | 559.7 (25/2) |
| **WORLD** | | | | | | |
| M.S.Capital Intl. (1/1/70) | (u) | 486.40 | 484.50 | 485.1 | 495.9 (27/8) | 361.3 (2/1) |

**Saturday October 3: Japan Nikkei 26,006.59. TSE 2123.53

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia, All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

## NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Varity CP | 4,219,100 | 3¾ | +½ |
| Telex | 3,349,300 | 70⅜ | +9⅜ |
| Chrysler | 2,897,600 | 36⅞ | −1¼ |
| Tenneco | 2,740,200 | 59¼ | −⅛ |
| IBM | 2,357,800 | 147½ | −4⅛ |
| Ford Motor | 2,268,600 | 94¾ | +⅛ |
| Gen Motors | 1,853,800 | 74½ | −1¼ |
| Gen Elec | 1,844,700 | 58¼ | −2 |
| Centerior Eng | 1,796,600 | 17 | −⅜ |
| Exxon | 1,794,700 | 48 | +1 |

*Closing prices, October 9*

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Continued on Page 45

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

U U U

| 12 Month High | Low | Stock | Div. | Yld. | P/ E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 27⅛ | 16½ | UDC | 2.20 | 13. | 6 | 97 | 17 | 16⅝ | 16¾ | −½ |
| 109 | 107 | UDC pf | | | | 7 | u112 | 110 | 112 | +3 |
| 32 | 25½ | UGI | 2.04 | 7.5 | 10 | 115 | 28 | 27⅛ | 27⅛ | −⅝ |
| 13¾ | 8¼ | UNCInc | | | 16 | 505 | 11 | 10¾ | 11 | −⅛ |
| 31⅜ | 20⅜ | UNUM n.30e | | 1.3 | | 596 | 24 | 23½ | 23¾ | |
| 23 | 14½ | URS | .96t | 5.0 | 18 | 247 | 19½ | 19⅛ | 19⅜ | −⅛ |
| 48¾ | 36¼ | USFG | 2.48 | 6.3 | 8 | 1003 | 40¼ | 39⅜ | 39½ | −⅜ |
| 62 | 50½ | USFG pf4.10 | | 8.0 | | 153 | 51⅝ | 51½ | 51½ | −⅛ |
| 55⅞ | 31 | USG | 1.12 | 2.1 | 12 | 4214 | 54⅜ | 53 | 53¼ | −⅜ |
| 28½ | 20½ | USLICO .88 | | 3.4 | 11 | 108 | 25⅞ | 25⅝ | 25¾ | |
| 32⅞ | 14¼ | USPCI s | | | 35 | 218 | 24⅞ | 24⅝ | 24⅝ | |
| 32¼ | 19½ | UST s | 1.20 | 4.5 | 13 | 958 | 27⅛ | 26½ | 26½ | −⅜ |

X Y Z

| 12 Month High | Low | Stock | Div. | Yld. | P/ E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 21⅞ | 11⅛ | WyleLb | .32 | 1.6 | 35 | 1092 | 20⅞ | 20 | 20⅜ | −¼ |
| 30⅜ | 16 | Wynns | .60 | 2.1 | 22 | 233 | 28⅛ | 28 | 28 | −⅛ |
| 85 | 51½ | Xerox | 3 | 4.0 | 17 | 1922 | 75¼ | 74¼ | 74⅝ | −⅜ |
| 58¼ | 53⅜ | Xerox pf5.45 | | 10. | | 17 | 54⅛ | 54 | 54 | −⅛ |
| 31½ | 21⅞ | XTRA | .64 | 2.2 | 23 | 41 | 29½ | 29 | 29 | −½ |
| 28¼ | 25⅝ | XTRA pf1.94 | | 7.0 | | 20 | 27¾ | 27¾ | 27¾ | −½ |
| 39⅞ | 16⅛ | Yorkin | | | 15 | 379 | 32⅜ | 32 | 32 | −⅜ |
| 7¼ | 2¼ | Zapata | | | | 311 | 4⅝ | 4½ | 4⅝ | |
| 37 | 20¾ | Zayre | .40 | 1.2 | 12 | 2039 | 32¾ | 32⅛ | 32⅜ | −⅛ |
| 16⅛ | 10½ | Zemex | .40 | 2.5 | 10 | 6 | 16 | 16 | 16 | |
| 33⅝ | 18⅞ | ZenithE | | | 100 | 2439 | 26 | 24¾ | 24⅞ | −1 |
| 13½ | 6¼ | ZenLab | | | | 422 | 7⅛ | 6¾ | 6⅞ | −⅛ |
| 26½ | 18¾ | ZenNtl | .80 | 3.7 | 13 | 25 | 21½ | 21½ | 21½ | |
| 20⅜ | 12⅜ | Zero | .35 | 1.9 | 19 | 68 | 18⅝ | 18¼ | 18½ | +⅛ |
| 30¾ | 17¾ | Zurnin s | .66 | 2.6 | 18 | 253 | 26⅛ | 25¾ | 26 | −⅛ |
| 10⅝ | 8¾ | Zweig | .65e | 6.4 | | 654 | 10¼ | 10⅛ | 10⅛ | |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls = sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE CLOSING PRICES

Closing prices, October 9

# OVER-THE-COUNTER

*Nasdaq national market, closing prices, October 9*

Continued on Page 43

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Mounting fears on inflation and interest rates

BY COLIN MILLHAM

WEDNESDAY'S US trade figures for August will provide the focal point of the week, but how much impact these have on the dollar must be in some doubt.

After the fall in Japan's and West Germany's trade surplus in August it has been widely forecast that the US deficit will be cut significantly from July's record $16.47bn.

There were growing signs last week, however, that the more optimistic of the economists were beginning to lose their nerve, and at best were only looking for a small improvement.

According to a survey by Money Market Services the median forecast for the August deficit is $14.5bn, and there were several economists still looking for a deficit in the region of $16bn.

Merryll Lynch in New York and London stockbrokers James Capel forecast $15bn, with Nomura Research institute in London and stockbrokers Phillips and Drew going for $14bn. Morgan Grenfell has recently revised up its forecast of the trade deficit to $13.5bn from $13bn.

Attention may be turning away from these figures, however, and it seems more likely that another large deficit will be seen as an excuse to sell the dollar, rather than good figures providing the incentive to buy.

The authorities in Tokyo and Frankfurt now appear to be much more concerned about rising inflationary pressures than of late, and it has been suggested that Japan and West Germany will be prepared to sacrifice international competitiveness, via exchange rates, for stability on the inflation front.

The fear is that central banks have achieved relative stability on the foreign exchanges at the expense of global monetary growth.

The Bank of Japan and West German Bundesbank have sold large amounts of yen and Deutsche Marks and taken dollars into their reserves. The domestic currency has then leaked out into the market, increasing the money supply, and threatening upward pressure on inflation.

Last week the Bundesbank announced that growth in its money stock was 7.8 per cent in September, compared with 7.4 per cent in August. The target range is 3 to 6 per cent.

In an attempt to reign back monetary growth the Bundesbank increased the interest rate on securities repurchase agreements. This is the level at which the central bank regularly lends funds to the banking system. The minimum tender rate was increased to 3.6 per cent from 3.5 per cent on Wednesday, and the minimum accepted rate climbed to 3.75 per cent from 3.65 per cent.

US banks raised their primes rates to 9¼ per cent from 8¾ per cent last week, against a background of higher money mbarket rates. US bonds responded by losing even more ground, as dealers feared the Federal Reserve had tightened its monetary stance.

An increase in the US discount rate is now considered a strong possibility, and in Tokyo today's whole sale price index for September may herald a rise in the Japanese discount rate.

Nomura suggests there are signs Japanese institutional investors are less interested in world bond markets, and may be turning their attention back to domestic investments.

This would pose obvious problems for the US in funding its twin deficits on trade and the budget, and could also be a pointer towards higher interest rates.

### £ IN NEW YORK

| Oct. 9 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.6535-1.6545 | 1.6480-1.6490 |
| 1 month | 0.29-0.27pm | 0.30-0.29pm |
| 3 months | 0.60-0.58pm | 0.66-0.63pm |
| 12 months | 1.85-1.75pm | 2.10-2.25pm |

Forward premiums and discounts apply to the U.S. dollar.

### STERLING INDEX

| | Oct. 9 | Previous |
|---|---|---|
| 8.30 am | 73.3 | 73.3 |
| 9.00 am | 73.3 | 73.2 |
| 10.00 am | 73.3 | 73.3 |
| 11.00 am | 73.3 | 73.3 |
| Noon | 73.4 | 73.3 |
| 1.00 pm | 73.3 | 73.3 |
| 2.00 pm | 73.4 | 73.3 |
| 3.00 pm | 73.4 | 73.3 |
| 4.00 pm | 73.3 | 73.3 |

### CURRENCY RATES

| Oct. 9 | Bank rate % | Special * Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | N/A | 0.693674 |
| U.S. Dollar | 6 | " | 1.14521 |
| Canadian $ | 8.75 | * | 1.49931 |
| Austrian Sch. | 4 | N/A | 14.6175 |
| Belgian Franc | 7¼ | " | 43.1830 |
| Danish Krone | 7 | " | 7.97181 |
| Deutsche Mark | 3 | " | 2.07741 |
| Neth. Guilder | 4½ | " | 2.33783 |
| French Franc | 9½ | " | 6.91879 |
| Italian Lira | 12 | " | 1499.20 |
| Japanese Yen | 2½ | " | 164.681 |
| Norway Krone | 8 | " | 7.59675 |
| Spanish Peseta | — | " | 137.883 |
| Swedish Krona | 7½ | " | 7.29900 |
| Swiss Franc | 3.5 | " | 1.72698 |
| Greek Drach. | 20½ | " | 159.516 |
| Irish Punt | — | " | 0.773791 |

* C$/SDR rate for Oct. 8; 1.67660.

### CURRENCY MOVEMENTS

| Oct. 9 | Bank of England Index | Morgan Guaranty* Changes % |
|---|---|---|
| Sterling | 73.3 | −20.1 |
| U.S. Dollar | 100.9 | −6.3 |
| Canadian Dollar | 79.1 | −9.0 |
| Austrian Schilling | 137.3 | +10.0 |
| Belgian Franc | 99.6 | −4.9 |
| Danish Krone | 91.0 | +1.2 |
| Deutsche Mark | 146.5 | +21.4 |
| Swiss Franc | 171.9 | +22.1 |
| Guilder | 134.8 | +14.3 |
| French Franc | 71.5 | −13.0 |
| Lira | 47.2 | −18.2 |
| Yen | 220.9 | +64.7 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

### OTHER CURRENCIES

| Oct. 9 | £ | $ |
|---|---|---|
| Argentina | 4.5540-4.5755 | 2.7575-2.7690 |
| Australia | 2.2810-2.2840 | 1.3820-1.3830 |
| Brazil | 85.850-85.310 | 51.980-52.241 |
| Finland | 7.1970-7.2095 | 4.3610-4.3630 |
| Greece | 227.90-231.85 | 138.35-140.65 |
| Hong Kong | 12.8400-12.8600 | 7.8075-7.8085 |
| Iran | 117.60* | 71.20* |
| Korea(Sth) | 1306.85-1318.65 | 802.70-809.30 |
| Kuwait | 0.46530-0.46570 | 0.28175-0.28185 |
| Luxembourg | 62.30-62.40 | 37.70-37.80 |
| Malaysia | 4.1750-4.1820 | 2.5360-2.5370 |
| Mexico | 2627.65-2632.10 | 1591.00-1593.00 |
| N. Zealand | 2.4930-2.4980 | 1.5095-1.5115 |
| Saudi Ar. | 6.1930-6.1985 | 3.7500-3.7510 |
| Singapore | 3.4510-3.4560 | 2.0935-2.0950 |
| S. Af. (Cm) | 3.3795-3.3955 | 2.0525-2.0565 |
| S. Af. (Fn) | 5.4160-5.5995 | 3.2785-3.3895 |
| Taiwan | 49.35-49.55 | 29.95-30.05 |
| U.A.E. | 6.0650-6.0705 | 3.6725-3.6735 |

*Selling rate.

### FORWARD RATES AGAINST STERLING

| | Spot | 1 mth | 3 mths | 6 mths | 12 mths |
|---|---|---|---|---|---|
| US Dollar | 1.6215 | 1.6184 | 1.6138 | 1.6070 | 1.6010 |
| D-mark | 2.9875 | 2.9723 | 2.9459 | 2.9064 | 2.8361 |
| French Fr. | 9.9350 | 9.9165 | 9.8886 | 9.8547 | 9.8192 |
| Swiss Fr. | 2.4875 | 2.4739 | 2.4516 | 2.4165 | 2.3520 |
| Yen | 237.25 | 236.07 | 234.07 | 231.20 | 225.97 |

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu Oct. 9 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | 43.1830 | +1.71 | +1.00 | ±1.5344 |
| Danish Krone | 7.85212 | 7.97181 | +1.52 | +0.81 | ±1.6404 |
| German D-Mark | 2.05853 | 2.07741 | +0.92 | +0.21 | ±1.0981 |
| French Franc | 6.90403 | 6.91879 | +0.21 | −0.50 | ±1.3674 |
| Dutch Guilder | 2.31943 | 2.33783 | +0.79 | +0.08 | ±1.5012 |
| Irish Punt | 0.768411 | 0.773791 | +0.70 | −0.01 | ±1.6694 |
| Italian Lira | 1,483.58 | 1499.20 | +1.05 | +0.78 | ±4.0752 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### POUND SPOT—FORWARD AGAINST THE POUND

| Oct. 9 | Day's spread | Close | One month | p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.6460−1.6520 | 1.6505−1.6515 | 0.30−0.27 cpm | 2.07 | 0.61−0.57 pm | 1.43 |
| Canada | 2.1502−2.1630 | 2.1545−2.1555 | 0.09dis-Par | −0.25 | 0.28−0.43 pm | −0.66 |
| Netherlands | 3.36½−3.37½ | 3.36½−3.37½ | 1⅜−1¼ c pm | 4.67 | 2⅝−2⅜ pm | 2.97 |
| Belgium | 62.11−62.52 | 62.30−62.40 | 20−16 c pm | 3.46 | 55−50 pm | 3.37 |
| Denmark | 11.47¾−11.51¼ | 11.50¼−11.51¼ | ½ pm−¼ ore dis | 0.39 | ¼ pm−½ dis | −0.13 |
| Ireland | 1.1125−1.1185 | 1.1155−1.1165 | 0.13−0.08 c pm | 1.13 | 0.45−0.25 pm | 1.25 |
| W. Germany | 2.99−3.00 | 2.99−3.00 | 1⅝−1⅜ pf pm | 6.01 | 4⅛−3⅞ pm | 5.26 |
| Portugal | 236.02−237.49 | 236.23−237.20 | 39-102c dis | −3.57 | 156−246 dis | −3.40 |
| Spain | 198.81−200.84 | 198.81−200.83 | 4-39 c dis | −1.29 | 86−138 dis | −2.24 |
| Italy | 2157½−2164¼ | 2163¼−2164¼ | 1-5lire dis | −1.66 | 9−13 dis | −2.03 |
| Norway | 10.93¾−10.97½ | 10.95½−10.96½ | 3⅜−3⅞ ore dis | −3.90 | 9−9⅝dis | −3.40 |
| France | 9.96½−9.98¼ | 9.97−9.98 | 2-1½ c pm | 2.11 | 4⅛−3⅞ pm | 1.50 |
| Sweden | 10.50−10.54¼ | 10.52½−10.53½ | 1⅛−⅝ ore pm | 1.00 | 2⅛−1½ pm | 0.69 |
| Japan | 237−238 | 237−238 | 1¼−1⅛ y pm | 6.00 | 3¼−3 pm | 5.26 |
| Austria | 21.06−21.14 | 21.06−21.09 | 10⅝−9¼ c pm | 5.52 | 28½−26½ pm | 5.22 |
| Switzerland | 2.48½−2.49½ | 2.48½−2.49½ | 1½−1¼ c pm | 6.63 | 3⅝−3⅜ pm | 5.62 |

Belgian rate is for convertible francs. Financial franc 62.45—62.55. Six-month forward dollar 1.17—1.12 c pm. 12-month 1.85—1.75 pm.

### DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

| Oct. 9 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.6460-1.6520 | 1.6505-1.6515 | 0.30-0.27c pm | 2.07 | 0.61-0.57pm | 1.43 |
| Ireland† | 1.4768-1.4815 | 1.4785-1.4795 | 0.08-0.03c pm | 0.45 | 0.21-0.11c pm | 0.43 |
| Canada | 1.3055-1.3090 | 1.3060-1.3070 | 0.20-0.23c dis | −1.97 | 0.43-0.46 dis | −1.36 |
| Netherlands | 2.0380-2.0460 | 2.0405-2.0415 | 0.46-0.43c pm | 2.62 | 1.46-1.44pm | 2.84 |
| Belgium | 37.60-37.80 | 37.70-37.80 | 5.00-4.00c pm | 1.43 | 19.00-17.00pm | 1.91 |
| Denmark | 6.95-6.98 | 6.96¾-6.97¼ | 0.30-1.00ore dis | −1.12 | 1.25-1.95 dis | −0.92 |
| W. Germany | 1.8105-1.8190 | 1.8130-1.8140 | 0.60-0.57pf pm | 3.87 | 1.75-1.70pm | 3.80 |
| Portugal | 143¾-143¾ | 143½-143¾ | 40-90c dis | −5.44 | 125-325 dis | −6.28 |
| Spain | 120.30-120.80 | 120.50-120.60 | 20-50c dis | −3.48 | 90-130 dis | −3.65 |
| Italy | 1307-1312 | 1310¾-1310¾ | 3.30-4.80lire dis | −3.71 | 11.00-12.50dis | −3.59 |
| Norway | 6.62¼-6.64¾ | 6.63½-6.64 | 3.20-3.55ore dis | −6.09 | 8.35-8.75dis | −5.15 |
| France | 6.03½-6.05½ | 6.04-6.04½ | 0.05-0.05c pm | 0.10 | 0.15-0.05pm | 0.07 |
| Sweden | 6.37-6.38 | 6.37½-6.38 | 0.40-0.70ore dis | −1.03 | 1.00-1.40 dis | −0.75 |
| Japan | 143.55-144.45 | 143.75-143.85 | 0.49-0.46y pm | 3.96 | 1.41-1.36 pm | 3.85 |
| Austria | 12.74¾-12.78¼ | 12.77¼-12.77¾ | 4.00-3.00gro pm | 3.29 | 13.00-11.00pm | 3.76 |
| Switzerland | 1.5055-1.5140 | 1.5075-1.5085 | 0.58-0.55c pm | 4.49 | 1.61-1.56 pm | 4.20 |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.80-37.90

### EURO-CURRENCY INTEREST RATES

| Oct. 9 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 9⅞-9⅝ | 9⅞-9¾ | 9 13/16-9 11/16 | 10 1/16-10⅛ | 10½-10⅜ | 10⅝-10⅝ |
| U.S. Dollar | 7½-7⅜ | 7 9/16-7 7/16 | 7 15/16-7 13/16 | 8 13/16-8 11/16 | 9-8⅞ | 9 5/16-9 3/16 |
| Can. Dollar | N/A | 9⅝-9⅜ | 9½-9¼ | 10⅛-9⅞ | 10½-10¼ | 11-10¾ |
| D. Guilder | N/A | 5¾-5⅝ | 5½-5⅜ | 6-5⅞ | 6-5⅞ | 6⅛-6 |
| Sw. Franc | N/A | 2¼-2 | 3⅝-3½ | 3 9/16-3 7/16 | 3 9/16-3 7/16 | 3 9/16-3 7/16 |
| Deutschmark | N/A | 3 13/16-3 11/16 | 4⅛-4 | 4 13/16-4 11/16 | 5 1/16-4 15/16 | 5¼-5⅛ |
| Fr. Franc | 7⅝-7½ | 7 11/16-7 9/16 | 7 15/16-7 13/16 | 8 5/16-8 3/16 | 9-8⅞ | 9 5/16-9 3/16 |
| Italian Lire | 11¼-9¾ | 11-10 | 12-11¼ | 12¾-12¼ | 12¾-12½ | 13½-13⅛ |
| B. Fr. (Fin.) | 6½-6¼ | 6½-6⅜ | 6 9/16-6 7/16 | 6¾-6⅝ | 7 5/16-7 3/16 | 7⅝-7½ |
| B. Fr. (Con.) | 6½-6⅜ | 6⅝-6¼ | 6⅝-6¼ | 7-6⅞ | 7⅛-7 | 7¾-7⅝ |
| Yen | N/A | 3 11/16-3⅝ | 4 3/16-4⅛ | 5-4 15/16 | 5 5/16-5⅛ | 5 5/16-5⅜ |
| D. Krone | 9⅞-9¼ | 9⅞-9⅝ | 9⅞-9¼ | 9⅞-9⅜ | 10⅛-9⅞ | 9⅝-9¼ |
| Asian $Sing | N/A | 7⅝-7½ | 7⅞-7¾ | 8 13/16-8 11/16 | 9-8⅞ | 9⅜-9¼ |

Long-term Eurodollars: Two years 9⅞-9⅝ per cent; three years 10⅛-10 per cent; four years 10⅜-10⅛ per cent; five years 10½-10⅜ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### EXCHANGE CROSS RATES

| Oct. 9 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1. | 1.651 | 2.995 | 237.5 | 9.975 | 2.490 | 3.370 | 2164. | 2.155 | 62.35 |
| $ | 0.606 | 1. | 1.814 | 143.8 | 6.043 | 1.508 | 2.041 | 1311. | 1.305 | 37.75 |
| DM | 0.334 | 0.551 | 1. | 79.30 | 5.331 | 0.831 | 1.125 | 722.5 | 0.720 | 20.82 |
| YEN | 4.211 | 6.952 | 12.61 | 1000. | 42.00 | 10.48 | 14.19 | 9111. | 9.074 | 262.5 |
| F Fr. | 1.003 | 1.655 | 3.003 | 238.1 | 10.00 | 2.496 | 3.378 | 2169. | 2.160 | 62.51 |
| S Fr. | 0.402 | 0.663 | 1.203 | 95.38 | 4.006 | 1. | 1.353 | 869. | 0.865 | 25.04 |
| H Fl. | 0.297 | 0.490 | 0.889 | 70.47 | 2.960 | 0.739 | 1. | 642.1 | 0.639 | 18.50 |
| Lira | 0.462 | 0.763 | 1.384 | 109.8 | 4.610 | 1.151 | 1.557 | 1000. | 0.996 | 28.82 |
| C $ | 0.464 | 0.766 | 1.390 | 110.2 | 4.629 | 1.155 | 1.564 | 1004. | 1. | 28.93 |
| B Fr. | 1.604 | 2.648 | 4.804 | 380.9 | 16.00 | 3.994 | 5.405 | 3470. | 3.456 | 100. |

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

### LIFFE LONG GILT FUTURES OPTIONS

| Strike Price | Calls—Last Dec | Calls—Last March | Puts—Last Dec | Puts—Last March |
|---|---|---|---|---|
| 108 | 6.09 | 7.05 | 0.07 | 0.55 |
| 110 | 4.21 | 5.29 | 0.19 | 1.17 |
| 112 | 2.49 | 4.08 | 0.47 | 1.60 |
| 114 | 1.33 | 3.02 | 1.31 | 2.54 |
| 116 | 0.48 | 2.09 | 2.46 | 3.61 |
| 118 | 0.20 | 1.29 | 4.18 | 5.17 |
| 120 | 0.07 | 0.61 | 6.05 | 6.49 |
| 122 | 0.02 | 0.38 | 8.00 | 8.26 |

Estimated volume total, Calls 2,465 Puts 1,568
Previous day's open int: Calls 26,993 Puts 20,108

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike Price | Calls—Last Dec | Calls—Last March | Puts—Last Dec | Puts—Last March |
|---|---|---|---|---|
| 78 | 3.14 | 3.39 | 0.30 | 1.39 |
| 80 | 1.56 | 2.26 | 1.08 | 2.26 |
| 82 | 0.58 | 1.36 | 2.10 | 3.36 |
| 84 | 0.25 | 0.62 | 3.41 | 4.62 |
| 86 | 0.10 | 0.36 | 5.26 | 6.36 |
| 88 | 0.03 | 0.20 | 7.19 | 8.20 |
| 90 | 0.01 | 0.10 | 9.17 | 10.10 |
| 92 | 0.00 | 0.05 | 11.16 | 12.05 |

Estimated volume total, Calls 303 Puts 269
Previous day's open int: Calls 1,191 Puts 947

### LIFFE FT-SE 100 INDEX FUTURES OPTIONS

| Strike Price | Calls—Last | | Puts—Last | |
|---|---|---|---|---|
| 22750 | 14.31 | 25.61 | 0.26 | 1.56 |
| 23000 | 12.03 | 23.65 | 0.48 | 2.10 |
| 23250 | 9.88 | 21.82 | 0.83 | 2.77 |
| 23500 | 7.90 | 20.12 | 1.35 | 3.57 |
| 23750 | 6.13 | 8.58 | 2.08 | 4.53 |
| 24000 | 4.61 | 7.19 | 3.06 | 5.64 |
| 24250 | 3.35 | 5.95 | 4.30 | 6.90 |
| 24500 | 2.35 | 4.87 | 5.80 | 8.32 |

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 118 Puts 129

### LIFFE £/$ OPTIONS
£25,000 (cents per £1)

| Strike Price | Calls—Last Oct. | Nov. | Dec. | Mar. | Puts—Last Oct. | Nov. | Dec. | Mar. |
|---|---|---|---|---|---|---|---|---|
| 1.45 | 19.90 | 19.90 | 19.90 | 19.90 | 0.00 | 0.00 | 0.00 | 0.04 |
| 1.50 | 14.90 | 14.90 | 14.90 | 14.90 | 0.00 | 0.00 | 0.00 | 0.20 |
| 1.55 | 9.90 | 9.90 | 9.90 | 9.90 | 0.00 | 0.00 | 0.08 | 0.73 |
| 1.60 | 4.90 | 4.90 | 4.98 | 5.85 | 0.00 | 0.16 | 0.61 | 1.98 |
| 1.65 | 0.60 | 1.25 | 1.85 | 3.10 | 0.76 | 1.64 | 2.48 | 4.23 |
| 1.70 | 0.00 | 0.11 | 0.43 | 1.41 | 5.16 | 5.50 | 6.06 | 7.54 |
| 1.75 | 0.00 | 0.00 | 0.06 | 0.54 | 10.16 | 10.39 | 10.69 | 11.67 |

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 302 Puts 1,319

### LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike Price | Calls—Last Oct. | Nov. | Dec. | Mar. | Puts—Last Oct. | Nov. | Dec. | Mar. |
|---|---|---|---|---|---|---|---|---|
| 1.45 | — | — | 12.90 | — | — | — | — | — |
| 1.50 | 15.00 | 15.00 | 15.00 | 15.00 | — | — | 0.30 | 0.40 |
| 1.55 | 10.00 | 10.00 | 10.00 | 10.30 | 0.30 | 0.30 | 0.35 | 0.90 |
| 1.60 | 5.00 | 5.00 | 5.35 | 6.00 | 0.30 | 0.50 | 0.85 | 2.05 |
| 1.65 | 0.80 | 1.65 | 2.00 | 3.30 | 1.00 | 1.90 | 2.65 | 4.20 |
| 1.70 | 0.30 | 0.40 | 0.70 | 1.55 | 5.40 | 5.75 | 6.20 | 7.40 |
| 1.75 | — | — | 1.20 | 1.80 | — | — | 16.50 | 17.50 |

Previous day's open int: Calls 1046 Puts 119
Estimated Volume: 14

### PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike Price | Calls Oct. | Nov. | Dec. | Mar. | Puts Oct. | Nov. | Dec. | Mar. |
|---|---|---|---|---|---|---|---|---|
| 1.575 | 7.15 | 7.15 | 7.15 | 7.60 | — | — | 0.15 | 1.05 |
| 1.600 | 4.65 | 4.60 | 4.90 | 5.65 | — | 0.10 | 0.50 | 1.75 |
| 1.625 | 2.20 | 2.60 | 3.05 | 4.10 | 0.10 | 0.60 | 1.20 | 2.60 |
| 1.650 | 0.60 | 1.20 | 1.80 | 2.85 | 0.65 | 1.60 | 2.25 | 3.85 |
| 1.675 | 0.05 | 0.45 | 0.90 | 2.00 | 2.55 | 3.20 | 3.85 | 5.30 |
| 1.700 | — | 0.15 | 0.45 | 1.35 | 4.95 | 5.35 | 5.85 | 7.05 |
| 1.725 | — | — | 0.20 | 0.85 | 7.45 | 7.70 | 8.05 | 8.85 |

Previous day's open int: Calls 112,019 Puts 113,338
Previous day's volume: Calls 2,177 Puts 583

### LIFFE-EURODOLLAR OPTIONS
$1m points of 100%

| Strike Price | Calls—Last Dec. | Mar. | Jun. | Sept. | Puts—Last Dec. | Mar. | Jun. | Sept. |
|---|---|---|---|---|---|---|---|---|
| 91.50 | 0.07 | 0.17 | 0.24 | 0.32 | 0.63 | 0.96 | 1.26 | 1.52 |
| 91.75 | 0.03 | 0.11 | 0.17 | — | 0.84 | 1.15 | 1.44 | — |
| 92.00 | 0.01 | 0.07 | 0.12 | — | 1.07 | 1.36 | [illegible] | — |
| 92.25 | 0.00 | 0.04 | 0.08 | — | 1.31 | 1.58 | 1.85 | — |
| 92.50 | 0.00 | 0.02 | 0.06 | — | 1.56 | 1.81 | 2.08 | — |
| 92.75 | 0.00 | 0.01 | 0.04 | — | 1.81 | 2.05 | 2.31 | — |
| 93.00 | 0.00 | 0.01 | 0.02 | — | 2.06 | 2.30 | 2.54 | — |

Previous day's open int: Calls 1,395 Puts 1,659
Estimated Vol: Calls 4 Puts 128

## LONDON

### 20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 114-01 | — | — | 114-11 |
| March | 114-06 | — | — | 114-15 |

Estimated volume 27,554 (15,102)
Previous day's open int. 27,295 (28,173)

### 6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 96.03 | 96.45 | 95.96 | 97.27 |
| March | 95.71 | — | — | 96.95 |

Estimated Volume 501 (681)
Previous day's open int. 878 (798)

### THREE-MONTH STERLING
£500,000 points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 89.55 | 89.58 | 89.50 | 89.58 |
| March | 89.54 | 89.61 | 89.54 | 89.64 |
| June | 89.53 | 89.62 | 89.53 | 89.65 |
| Sept. | 89.47 | 89.57 | 89.50 | 89.59 |
| Dec. | 89.36 | 89.44 | 89.44 | 89.48 |

Estimated Volume 8,504 (4,266)
Previous day's open int. 17,642 (16,907)

### FT-SE 100 INDEX
£25 per full index point

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 241.55 | 243.00 | 239.90 | 243.00 |
| Mar. | 246.05 | — | — | 247.50 |

Estimated volume 2,230 (1,609)
Previous day's open int. 6,609 (6,392)

### THREE-MONTH EURODOLLAR
$1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 90.94 | 90.98 | 90.84 | 91.06 |
| March | 90.71 | 90.72 | 90.60 | 90.77 |
| June | 90.48 | 90.50 | 90.37 | 90.55 |
| Sept. | 90.30 | 90.32 | 90.20 | 90.37 |
| Dec. | 90.15 | 90.15 | 90.15 | 90.23 |
| Mar. | 90.02 | — | — | 90.10 |
| June | 89.90 | — | — | 89.98 |

Estimated volume 11,706 (8,966)
Previous day's open int. 31,468 (32,104)

### U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 80.24 | 80.28 | 80.07 | 81.11 |
| Mar. | 80.00 | 79.22 | 79.22 | 80.16 |

Estimated Volume 7,745 (6,891)
Previous day's open int. 6,711 (7,157)

## CHICAGO

### U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 80-03 | 81-27 | 80-00 | 80-23 |
| Mar. | 79-12 | 80-02 | 79-09 | 79-31 |
| June | 78-23 | 79-11 | 78-22 | 79-08 |
| Sept. | 78-03 | 78-22 | 78-03 | 78-19 |
| Dec. | 77-17 | 78-03 | 77-17 | 77-31 |
| Mar. | 77-01 | 77-16 | 77-01 | 77-13 |
| June | 76-19 | 77-00 | 76-19 | 76-29 |
| Sept. | 76-06 | 76-17 | 76-06 | 76-14 |
| Dec. | 75-26 | 75-30 | 75-23 | 76-00 |
| Mar. | 75-15 | 75-18 | 75-15 | 75-19 |
| June | 75-05 | 75-05 | 75-00 | 75-07 |

### U.S. TREASURY BILLS (IMM)
$1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 92.33 | 92.43 | 92.29 | 92.38 |
| Mar. | 92.04 | 92.13 | 91.99 | 92.06 |
| Jun. | 91.81 | 91.90 | 91.78 | 91.83 |
| Sept. | 91.66 | 91.74 | 91.63 | 91.70 |
| Dec. | 91.50 | 91.59 | 91.49 | 91.56 |
| Mar. | 91.38 | — | — | 91.49 |

### SWISS FRANC (IMM)
SFr 125,000 $ per SFr

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 0.6721 | 0.6723 | 0.6668 | 0.6677 |
| Mar. | 0.6791 | 0.6796 | 0.6737 | 0.6742 |
| Jun. | 0.6861 | 0.6860 | 0.6820 | 0.6807 |

### JAPANESE YEN (IMM)
Y12.5m $ per Y100

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 0.7013 | 0.7016 | 0.6980 | 0.6981 |
| Mar. | 0.7080 | 0.7084 | 0.7045 | 0.7045 |
| June | 0.7155 | — | — | 0.7121 |
| Sept. | — | — | — | 0.7198 |
| Dec. | 0.7303 | — | — | 0.7267 |

### DEUTSCHE MARK (IMM)
DM125,000 $ per DM

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 0.5563 | 0.5566 | 0.5538 | 0.5551 |
| Mar. | 0.5617 | 0.5624 | 0.5595 | 0.5604 |
| June | 0.5677 | 0.5680 | 0.5659 | 0.5662 |
| Sep. | 0.5739 | 0.5748 | 0.5748 | 0.5720 |
| Dec. | 0.5789 | — | — | 0.5768 |

### THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 90.85 | 90.96 | 90.83 | 90.95 |
| Mar. | 90.63 | 90.73 | 90.58 | 90.65 |
| June | 90.38 | 90.50 | 90.36 | 90.42 |
| Sept. | 90.18 | 90.31 | 90.16 | 90.24 |
| Dec. | 90.01 | 90.13 | 90.00 | 90.09 |
| Mar. | 89.86 | 89.96 | 89.86 | 89.96 |
| June | 89.73 | 89.89 | 89.75 | 89.85 |
| Sept. | 89.62 | 89.79 | 89.66 | 89.76 |

### STANDARD & POORS 500 INDEX
$500 times index

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 312.20 | 317.05 | 311.60 | 315.80 |
| Mar. | [illegible] | 320.70 | 314.90 | 319.45 |
| Jun. | 318.50 | 324.20 | 318.50 | 323.05 |
| Sept. | 321.60 | 322.00 | 321.50 | 326.50 |

### CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.6510 | 1.6481 | 1.6451 | 1.6395 | 1.6330 |

IMM—STERLING $s per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec. | 1.6440 | 1.6455 | 1.6350 | 1.6355 |
| Mar. | 1.6390 | 1.6410 | 1.6305 | 1.6305 |
| June | 1.6325 | 1.6320 | — | 1.6240 |

LIFFE—STERLING £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec. | 1.6437 | 1.6450 | 1.6434 | 1.6363 |
| Mar. | 6.6387 | — | — | 1.6314 |
| June | 1.6348 | — | — | 1.6275 |

Estimated volume 2 (5)
Previous day's open int 356 (361)

## MONEY MARKETS

# Hoping for more good news

**UK clearing bank base lending rate 10 per cent since August 7**

THERE WAS only one major UK economic statistic last week, and this turned out to be much as expected.

On Friday it was announced that September retail prices rose an unchanged 0.3 per cent, bringing the year-on-year inflation rate down from August's peak of 4.4 per cent to 4.2 per cent.

Economists generally expect an easing of inflationary pressure over the rest of the year, and James Capel suggests the average for next year will be only 3.6 per cent.

This contrasts with other major industrial nations, where there is general concern about inflation, and forecasts of higher interest rates.

While the pound remains firm there is no reason to expect any rise in UK bank base rates, but Greenwell Montagu Research suggests that sterling MO money supply will show another large rise of 0.6 per cent in September, pushing the growth rate up to 4.8 per cent, against the Government's target range of 2 to 6 per cent. Greenwell adds that this will underline the authorities determination not to lower base rates.

Several UK statistics will be released this week, including producer prices today. A fall of 0.5 per cent is generally expected in September input prices and a rise of 0.8 per cent in output prices.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Oct. 9) 3 months U.S. dollars | | 6 months U.S. dollars | |
|---|---|---|---|
| bid 8 11/16 | offer 8 13/16 | bid 8⅞ | offer 9 |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### BANK OF ENGLAND TREASURY BILL TENDER

| | Oct. 9 | Oct. 2 | | Oct. 9 | Oct. 2 |
|---|---|---|---|---|---|
| Bills on offer | £100m | £100m | Top accepted rate of discount | 9.8269% | 9.7467% |
| Total of applications | £912.25m | £409m | Average rate of discount | 9.7708% | 9.7467% |
| Total allocated | £100m | £100m | Average yield | 10.01% | 9.99% |
| Minimum accepted bid | £97.55 | £97.57 | Amount on offer at next tender | £100m | £100m |
| Allotment at minimum level | 25% | 80% | | | |

### WEEKLY CHANGE IN WORLD INTEREST RATES

| | Oct. 9 | change |
|---|---|---|
| LONDON | | |
| Base rates | 10 | Unch'd |
| 7 day Interbank | 9⅞ | [illegible] |
| 3-month Interbank | 10⅛ | [illegible] |
| Treasury Bill Tender | 9.7708 | +0.0241 |
| Band 1 Bills | 9⅝ | Unch'd |
| Band 2 Bills | 9⅝ | Unch'd |
| Band 3 Bills | 9⅝ | Unch'd |
| Band 4 Bills | 9⅝ | Unch'd |
| 3 Mth. Treasury Bill | [illegible] | [illegible] |
| 1 Mth. Bank Bills | [illegible] | [illegible] |
| 3 Mth. Bank Bills | [illegible] | [illegible] |
| TOKYO | | |
| One month Bills | 3.78125 | [illegible] |
| Three month Bills | 3.90625 | [illegible] |
| BRUSSELS | | |
| One month | 6¾ | Unch'd |
| Three month | 6¾ | [illegible] |
| AMSTERDAM | | |
| One month | 5⅜ | [illegible] |
| Three month | 5⅝ | [illegible] |
| NEW YORK | | |
| Prime rates | 9¼ | [illegible] |
| Federal Funds | [illegible] | [illegible] |
| 3 Mth. Treasury Bills | [illegible] | [illegible] |
| 6 Mth. Treasury Bills | 7.65 | +0.44 |
| 3 Mth. CD | [illegible] | +0.60 |
| FRANKFURT | | |
| Lombard | 5.0 | Unch'd |
| One mth. Interbank | 4.025 | [illegible] |
| Three month | 4.625 | +0.145 |
| PARIS | | |
| Intervention Rate | 7¼ | Unch'd |
| One mth. Interbank | [illegible] | [illegible] |
| Three month | [illegible] | [illegible] |
| MILAN | | |
| One month | 11 | [illegible] |
| Three month | 12 | [illegible] |
| DUBLIN | | |
| One month | 9⅝ | [illegible] |
| Three month | 9⅝ | [illegible] |

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

### MONEY RATES

NEW YORK (4pm)

| | | Treasury Bills and Bonds | | | |
|---|---|---|---|---|---|
| Prime rate | 9¼ | One month | 6.32 | Three year | 9.19 |
| Broker loan rate | 8¾-9 | Two month | 6.50 | Four year | 9.41 |
| Fed. funds | 7⅛ | Three month | 6.90 | Five year | 9.52 |
| Fed funds at intervention | 7½ | Six month | 7.66 | Seven year | 9.74 |
| | | One year | 8.19 | 10 year | 9.87 |
| | | Two year | 8.94 | 30 year | 9.91 |

| October 9 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 3.75-3.85 | 3.95-4.10 | 3.95-4.10 | 4.55-4.70 | 4.65-4.80 | 5.0 |
| Paris | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 7½ |
| Zurich | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | — |
| Amsterdam | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | — |
| Tokyo | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | — |
| Milan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | — |
| Brussels | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | — |
| Dublin | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | — |

### LONDON MONEY RATES

| October 9 | Over-night | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling CDs | — | — | [illegible] | [illegible] | [illegible] | [illegible] |
| Local Authority Deps. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | — |
| Local Authority Bonds | — | — | [illegible] | [illegible] | [illegible] | [illegible] |
| Discount Mkt Deps. | [illegible] | [illegible] | [illegible] | [illegible] | — | — |
| Company Deposits | — | — | [illegible] | [illegible] | [illegible] | — |
| Finance House Deposits | — | — | [illegible] | [illegible] | [illegible] | — |
| Treasury Bills (Buy) | — | — | [illegible] | [illegible] | — | — |
| Bank Bills (Buy) | — | — | [illegible] | [illegible] | — | — |
| Fine Trade Bills (Buy) | — | — | [illegible] | [illegible] | [illegible] | — |
| Dollar CDs | — | — | 7.90-7.85 | 8.75-8.70 | 8.95-8.90 | 9.25-9.20 |
| SDR Linked Deposits | — | — | [illegible] | [illegible] | [illegible] | [illegible] |
| ECU Linked Deposits | — | — | [illegible] | [illegible] | [illegible] | [illegible] |

Treasury Bills (sell); one-month 9⅞ per cent; three months 9⅝ per cent; Bank Bills (sell); one-month 9⅞ per cent; three months 9⅞ per cent; Treasury Bills: Average tender rate of discount 9.7708 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1987. Agreed rates for period October 26 to November 24 1987, Scheme I: 11.42 p.c., Schemes II & III: 11.47 p.c. Reference rate for period August 29 to September 30, 1987, Scheme IV: 10.219 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ per cent from October 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9¾ per cent; one-three months 9¾ per cent; three-six months 10 per cent; six-nine months 10 per cent; nine-12 months 10¼ per cent; Under £100,000 8 per cent from September 15. Deposits withdrawn for cash 5 per cent.